OLYMPIC COIN PROPOSALS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 1230

TO PROVIDE FOR THE MINTING OF COMMEMORATIVE COINS TO SUPPORT THE 1984 LOS ANGELES OLYMPIC GAMES

JUNE 10, 1982

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OLYMPIC COIN PROPOSALS

THURSDAY, JUNE 10, 1982

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 2:05 p.m., in room 5302, Dirksen Senate Office Building, Senator Jake Garn (chairman) presiding.

Present: Senators Garn, Proxmire, and Cranston.

Also present: Senator Kasten.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. The hearing will come to order.

This afternoon's hearing, we will concentrate our attention on the problem of providing the best, most effective coin program possible for the 1984 Los Angeles Olympic Games.

I, for one, would like to make sure that the Olympic committees receive the maximum amount of revenues that the Congress can generate through a commemorative coin program.

The Senate twice voted unanimously its version of an Olympic Coin Act. Almost as convincingly, the House has adopted its own version. The Senate's first version guaranteed the Olympic committees $50 million. After a year's delay in the House, the Senate enacted a second version that authorized a reduced number of coins and also reduced the guarantee to $30 million. The House guarantees nothing. The House's delay has added to the economic woes of both the Olympic committees.

The House's final action offers the Olympic committees a bill frought with the dangers of previous mint marketing schemes. The Senate wants to provide a coin bill to help the Olympic committee stage the best games possible.

Our task, then, is not to engage in a squabble with the House, but to invite them to join us in creating an even more generous bill than the one they sent. The Olympic committees and the athletes they help desperately need this Congress to be as responsive as possible to their dire economic situation. I am hopeful that these hearings will lead to a compromise that combines the best parts of the two bills.

I must say, to my good friends in the House, that any Olympic coin program must include a mechanism using the expertise of private marketers. It does not make sense not to use people who will promote this product to its fullest.

The Mint's records on coin sales is variable at best. Even supposing that the Mint markets the coins successfully, there is a much larger market for the coins than the Mint can reasonably handle.

Private marketers could fill this gap. To this end, I will be looking for a way to include private marketing in the coin program.

I do not interpret the House's action to be a vote against private marketers. The House bill would allow private marketers to buy the coins, either through a competition for the international rights to market the coins or through bulk sales.

Possibly a program could be created where the Secretary has the authority to sell the coins domestically through the mint, and further authority to select private marketers who will purchase the coins from the Mint on a cost-plus basis.

The Secretary, in his discretion, would determine unitary price for the coins, but further require that a cent—dollar figure should be turned over to the Olympic committees upon the sale of each coin.

We probably would have to provide for a minimum profit, large enough to encourage private entrepreneurship, but not so large as to offend our friends in the House.

The number and denomination of the coins should depend upon who markets them. If a compromise is found, it may include a reduction in the number of coins authorized by the Senate. Whatever number is chosen should be enough to make the most productive coin program possible.

I look forward to the witnesses' comments on S. 1230, as it passed the House and the cost-plus proposal and whatever advice can be offered to us.

I now welcome, as the first witness, the Honorable Angela Buchanan, Treasurer of the United States, Department of the Treasury.

But before we begin, let me insert in the record, as though read, a statement by the chairman of the Senate Banking Committee, Senator Garn.

[Statement follows as though read:]

OPENING STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. Almost 1 year ago, on July 14, 1981, this committee held hearings on S. 1230. That bill was amended many times to provide the Department of the Treasury with adequate supervisory authority over coin sales, and to protect against the abuses which have characterized commemorative coin sales in the past. The Senate Banking Committee unanimously reported out the bill, and the Senate, without any opposition, and with 21 cosponsors, passed the bill on the floor.

An important feature of the Senate passed bill was the provision for the private advertising, marketing, and delivery of the coins, rather than have the Treasury or other Government agency sell the coins. Why private marketers? To sell more coins—to raise more money for the Olympics. Past Government sales of any coins have demonstrated that the Government was not capable of selling a large number of coins in a relatively short period of time. The Government is unlikely to sell 54 million coins with 25 designs, or even 52 million coins with 3 designs, within a few years. For example:

The Mint only sold 38 percent of the 1.5 million ounce, and ½ ounce gold medallions authorized for 1980.

Similarly, for 1981, the Mint sold only 15 percent of only 400,000 gold medallions.

Of 150 million Eisenhower dollars authorized, the Mint only sold 21 million proof and uncirculated coins over 4 years.

Finally, it took the GSA 8 years and 7 sales to sell only 2.9 million Morgan silver dollars, with a $10 million budget for advertising.

Government sales of coins have not produced large sales—because they have been unable to reach and sell to the non-numismatic audience. In hearings before a House subcommittee concerning the GSA sales of Carson City silver dollars, a GSA employee summed up the problem of the Government's inability to sell a large number of coins by stating that "if you are really selling coins and going out to the numismatists and coin collectors, serious collectors, you are not going to have a big response."

In testimony before this committee, many witnesses emphasized that if coin sales were confined to coin collectors, the objective of the program to raise significant revenues for the Olympics would not be met. To insure substantial coin sales requires a sophisticated, aggressive promotional campaign aimed at buyers who are not coin collectors, and this effort could only be initiated and sustained by private sector businesses with large financial resource and marketing expertise.

Although it is no longer feasible to carry out an Olympic coin program with numerous coins and designs, as envisioned by the original S. 1230, we can still make sure that whatever coin program is enacted contains appropriate incentives for private marketing involvement. I am convinced that outside marketing and sales expertise must be called upon to ensure successful sales of the coins, and provide significant revenues to the Olympic committees.

In closing, I would like to take note of the past mistakes that I hope we will not repeat in Government sponsored sales of coins. Less than 2 years ago, a report was issued by the Subcommittee on Consumers Affairs in the House Committee on Banking, Finance and Urban Affairs, which made the following comment on the GSA sales of Carson City silver dollars:

> The handling of this sale appears to reflect discredit on the Government of the United States. It did little to inspire confidence in the Government's competence to serve the public. Unfortunately, in the eyes of many, cynicism and distrust of Government are the real proceeds of this sale, and not any revenues generated by the sale.

I sincerely hope that we generate some revenues for the Olympic committees by the sale of these coins, and do not further contribute to the cynicism and distrust of the Government.

[Copy of S. 1230 as passed by the House follows:]

In the House of Representatives, U.S.,

May 20, 1982.

Resolved, That the bill from the Senate (S. 1230) entitled "An Act to provide for the minting of commemorative coins to support the 1984 Los Angeles Olympic Games", do pass with the following

AMENDMENT:

Strike out all after the enacting clause, and insert:

SHORT TITLE

SECTION 1. This Act may be cited as the "Olympic Commemorative Coin Act".

COIN SPECIFICATIONS

SEC. 2. (a)(1) Notwithstanding any other provision of law, the Secretary of the Treasury (hereinafter in this Act referred to as the "Secretary") shall issue not more than fifty million one-dollar coins which shall weigh 26.73 grams, have a diameter of 1.50 inches, and shall contain 90 per centum silver and 10 per centum copper.

(2) The Secretary shall determine the design of such one-dollar coins. Such design shall be emblematic of the 1984 summer Olympic games which are to be held in Los Angeles, California. On each such one-dollar coin there shall be a designation of the value of the coin, an inscription of the year of issue, and inscriptions of the words "Lib-

erty", "In God We Trust", "United States of America", and "E Pluribus Unum".

(3) The coins shall be issued in two separate designs, one in 1983 and one in 1984.

(b)(1) Notwithstanding any other provision of law, the Secretary shall issue not more than two million ten-dollar coins which shall weigh 16.718 grams, have a diameter of 1.06 inches, and shall contain 90 per centum gold and 10 per centum copper.

(2) The Secretary shall determine the design of such ten-dollar coin. Such design shall be emblematic of the 1984 summer Olympic games which are to be held in Los Angeles, California. On each such ten-dollar coin there shall be a designation of the value of the coin, an inscription of the year 1984, and inscriptions of the words "Liberty", "In God We Trust", "United States of America", and "E Pluribus Unum".

(c) The coins issued under this section shall be issued in uncirculated and proof qualities.

(d) All coins issued under this section shall be legal tender as provided in section 102 of the Coinage Act of 1965.

(e)(1) The Secretary shall obtain gold for the coins minted under this Act pursuant to the authority of the Secretary under existing law.

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(2) The Secretary shall obtain silver for the coins minted under this Act from stocks of silver held by the Secretary of the Treasury or from any other federally owned stocks of silver.

SALES WITHIN THE UNITED STATES

SEC. 3. (a) Notwithstanding any other provision of the law, the coins issued under this Act shall be sold within the United States (including United States military and diplomatic establishments outside the United States) by the Secretary under such regulations as he may prescribe and at a price equal to face value, plus the cost of issuing such coins (including labor, materials, dies, use of machinery, and overhead expenses).

(b) The Secretary shall make bulk sales at a reasonable discount to reflect the lower costs of such sales.

(c) The Secretary shall accept prepaid orders for the coins prior to the issuance of such coins. Sales under this subsection shall be at a reasonable discount to reflect the benefit of prepayment.

(d) All sales shall include a surcharge, established by the Secretary, of not less than $10 per coin for one-dollar coins and not less than $50 per coin for ten-dollar coins.

INTERNATIONAL SALES

SEC. 4. (a) The Secretary shall assign the rights to market the coins outside the United States (excluding

United States military and diplomatic establishments outside the United States) to a marketing organization selected under section 5.

(b) The marketing organization assigned the rights under this section shall pay a price determined under sections 3 (b) and (d).

SELECTION OF INTERNATIONAL MARKETERS

SEC. 5. (a) As soon as possible after the effective date of this Act, a committee consisting of the Secretary of the Treasury, the executive director of the United States Olympic Committee, and the president of the Los Angeles Olympic Organizing Committee, shall solicit, in accordance with procedures specified by the Secretary of the Treasury, proposals from marketing organizations to carry out a marketing agreement. Such procedures shall include the publication of evaluation criteria that will serve as a basis for selecting one or more marketing organizations. Such criteria shall include—

(1) the financial resources and coin marketing experience of the marketing organization;

(2) the estimated proceeds from the sale or other disposition of the coins; and

(3) the commitment of the marketing organization to purchase a certain minimum number of such coins or to pay the surcharge on such coins; and

(4) the terms and conditions for the marketing of the coins, including—

(A) proper and equitable distribution of the coins, and

(B) accurate and otherwise appropriate advertising materials to be used in promoting the coins.

(b) Within forty-five days after the effective date of this Act, the committee shall consider all proposals received from marketing organizations under subsection (a) and select by majority vote one or more marketing organizations which offer the terms for marketing of the coins most favorable in accordance with the published evaluation criteria. Any marketing organization selected shall be acceptable to the Secretary of the Treasury.

DISTRIBUTION OF PROCEEDS

SEC. 6. (a) Fifty per centum of the amount of all surcharges which are received by the Secretary from the sale of coins issued under this Act shall be promptly paid by the Secretary to the United States Olympic Committee. Such amounts shall be used to train United States Olympic athletes, to support local or community amateur athletic programs, and to erect facilities for the training of such athletes.

(b) Fifty per centum of the amount of all surcharges which are received by the Secretary from the sale of coins under this Act shall be promptly paid by the Secretary to the Los Angeles Olympic Organizing Committee. Such amounts shall be used to stage and promote the 1984 Los Angeles Olympic games.

(c) Amounts received by the Secretary from advance sale of coins to be issued under this Act shall be paid to the United States Olympic Committee and the Los Angeles Olympic Organizing Committee under subsections (a) and (b), provided that any amounts paid to the Committees shall not exceed an amount equivalent to the surcharges received by the Secretary from the advance sale of coins.

(d)(1) On March 31, 1985, the Los Angeles Olympic Organizing Committee shall remit to the United States Olympic Committee all amounts remaining from the disposition of the coins under this Act. In no event may such amount be less than that portion of the unobligated funds of the committee on that date represented by the ratio of the total amount of income received by the committee from the disposition of the coins minted under this Act to the total amount of income received by the committee from all sources.

(2) After March 31, 1985, all amounts received by the committee from the disposition of coins minted under this

Act shall be remitted within ten days to the United States Olympic Committee.

(3) All amounts received by the United States Olympic Committee under this subsection shall be used solely for the purposes described in subsection (a).

IMPLEMENTATION AGREEMENT

SEC. 7. (a) The Secretary of the Treasury shall enter into an agreement with the marketing organization selected under section 5 which shall provide for the implementation of that section and which shall include an agreement on—

(1) the price and schedule of payments for the coins;

(2) the schedule and other provisions for the delivery of the coins; and

(3) the proportions of proof and uncirculated coins.

(b) The agreement between the Secretary of the Treasury and the committee shall ensure that the issuance of coins under this section shall result in no net cost to the United States Government.

(c) The agreement between the Secretary of the Treasury and the marketing organization shall direct that the marketing organization shall not use any words, perform any act, or make any statement, written or oral, which would imply or indicate, or tend to imply or indicate, that

any portion of the coins' sale price to the public constitutes a tax-deductible contribution.

(d) To the extent possible, the agreement between the Secretary of the Treasury and the marketing organization shall be concluded within sixty days of the date of the selection of the marketing organization.

(e) The Secretary may terminate the implementation agreement and cease minting and the delivery of the coins issued under this section if the Secretary of the Treasury finds that such termination is in the best interests of the United States. Reasons for such termination may include actions which are inconsistent with the terms of the implementation agreement or advertising materials that are inappropriate for advertising the sale of United States coinage or otherwise not in keeping with the dignity of the United States coinage.

(f) If the Secretary of the Treasury exercises his authority under subsection (e), the amount of any proceeds guaranteed to the Los Angeles Olympic Organizing Committee and the United States Olympic Committee by a marketing organization under a marketing agreement shall not be reduced.

COINAGE PROFIT FUND

SEC. 8. Notwithstanding any other provision of law—

(1) all amounts received from the sale of coins issued under this Act shall be deposited in the coinage profit fund;

(2) the Secretary shall pay the amounts authorized under section 6 from the coinage profit fund; and

(3) the Secretary shall charge the coinage profit fund with all expenditures under this Act.

AUDITS

SEC. 9. The Comptroller General of the United States shall have the right to examine such books, records, documents, and other data of the United States Olympic Committee and the Los Angeles Olympic Organizing Committee as may be related to the expenditure of amounts paid under section 6.

FINANCIAL ASSURANCES

SEC. 10. (a) The Secretary shall take all actions necessary to ensure that the issuance of the coins authorized by this Act shall result in no net cost to the United States Government.

(b) No coin shall be issued under this Act unless the Secretary has received full payment therefor.

(c) The Secretary shall certify, in reports required to be filed under section 11 of this Act, that he is in compliance with this section.

REPORTS TO CONGRESS

SEC. 11. Not later than forty-five days after the last day of each calendar quarter, the Secretary shall transmit a report to the Congress regarding the activities carried out under this Act during such calendar quarter. No such report shall be required with respect to any calendar quarter beginning after December 31, 1985.

Attest:

Clerk.

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STATEMENT OF ANGELA M. BUCHANAN, TREASURER, DEPARTMENT OF THE TREASURY, ACCOMPANIED BY KEN GUBIN, LEGAL COUNSEL, BUREAU OF THE MINT

Mrs. BUCHANAN. I am pleased to appear before you today to present the Treasury Department's views on the House passed version of S. 1230, a bill to authorize commemorative coins to support the 1984 Olympics.

With me is Ken Gubin, the legal counsel for the Bureau of the Mint.

Before I begin, Mr. Chairman, I would like to compliment you for scheduling these hearings so promptly after action by the House of Representatives. I know that this is being done in the midst of a busy legislative session, and it shows the deep interest that you and the distinguished members of the Senate Banking Committee have in the 1984 Olympic program and our young American athletes.

Much has transpired since I appeared before this committee on July 14 of last year. At that time, the Department of the Treasury publicly supported the concept of issuing Olympic commemorative coins in an effort to help finance the 1984 games in Los Angeles and to support our young athletes as they prepare for these games.

However, we objected to the magnitude of the program proposed by S. 1230 and had a number of concerns about the marketing method suggested in the bill. A modified version that authorized fewer coins and resolved many of our original concerns was eventually passed by the Senate.

The House Banking Committee, after careful deliberation, considered two major Olympic coin bills, one sponsored by Chairman St Germain and the other by Chairman Annunzio. The Department, although it supported Congressman St Germain's version, was of the opinion that both bills had great merit.

SMALLER COIN PROGRAM

The House overwhelmingly passed Congressman Annunzio's bill, indicating its clear preference for a smaller coin program, with the Department of Treasury the principal distributor in the United States.

Let me now address my remarks to Congressman Annunzio's Olympic coin bill.

First, let me state the Department of the Treasury continues to be firmly committed to the concept of issuing commemorative coins to financially aid the Olympic athletes. In addition, as stated in our testimony before the House Subcommittee on Consumer Affairs and Coinage, the Department considers that the House-passed version of S. 1230 is a fine coin program.

It is structured so as to eliminate concerns of abuse and designed to raise substantial moneys for the Olympic cause. For these reasons, the Department supports Congressman Annunzio's coin program.

MARKETING STRATEGIES

Since I am certain it is of interest to this committee, let me outline the marketing strategies the Department might follow if Congressman Annunzio's bill were to become law.

First, the thrust of the Mint's sales efforts would be through the Mint mailing list. This list, developed over decades, consists of 1.7 million names and has an exceptionally high average response rate of 60 percent. It is, without doubt, the premier numismatic listing in the world and a powerful tool to be used in the marketing of these coins.

Second, the Mint would approach the U.S. Postal Service and banks and discuss the possibility of selling over-the-counter at these locations or, if that were not feasible, to post displays and order forms at these facilities. There also exists a good possibility of using the Olympic committee status with the television networks to gain advertising for the coins at a reasonable price.

At this point, let me stress that the Department believes that the internal efforts of the Mint must be complemented by private marketing organizations to ensure that the coins gain widespread distribution within the United States and overseas. It is for this reason that we have requested a number of changes in the language of the legislation. Flexibility in the marketing language of the bill will be necessary if the Department of Treasury expects to attract reputable marketing firms to join forces with the Mint, thereby assuring a successful coin program.

The need for this flexibility becomes more apparent with the overseas market. The diversity by which numismatic products are sold in the different regions of the world requires extensive knowledge and expertise. The Department strongly believes that this can best be handled by one marketing entity as the source of all international sales.

It is this arrangement that the Department will strive to develop under the foreign marketing requirements of Congressman Annunzio's bill. If this arrangement cannot be made, the Department would do everything in its power, working closely with the Olympic committees, to put an alternative marketing plan together.

It is in light of these concerns that the Department has furnished the committee with a number of recommended changes to the bill.

Among the major ones, we suggest changing the provision directing the Secretary to make bulk sales at a reasonable discount to reflect the lower costs of such sales. Any reductions in costs associated with bulk sales would be restricted to postage and marketing. Since the costs for postage and marketing would have to be absorbed by any private marketing organization, this leaves no margin for profit. The selling prices for the coins by the Mint and private domestic marketers would have to be approximately the same in order to insure the American public a fair and equitable coin program.

Under the present bill, sufficient margin to attract competent marketing expertise would have to be achieved by reducing the surcharge on each coin. A reduction in the stipulated surcharges of

$10 for the silver coins and $50 for the gold coin would reduce the funds available for the Olympic committees.

Therefore, the Department would prefer to increase the surcharge amount or to consider the private marketing costs to be costs to the Treasury. Under either of these methods, the Department asks that the bill specify that such arrangements would be at the discretion of the Secretary.

The Department also recommends that the Secretary not be required to sell in bulk to all potential marketers. The Secretary should have the flexibility to sell in bulk when it is determined to be in the best interests of the overall coin program.

Finally, we are concerned about the effect of Federal procurement regulations on the bidding process. While these rules assure fairness in Government contracting, they also offer opportunities for litigation which disappointed bidders might use to delay implementation of the program.

The adverse consequences of a substantial delay in the coin program would be serious for the Olympics and the sponsoring committees.

We are not requesting that procurement laws dealing with equal opportunity be waived. The language we propose specifically retains such requirements.

In addition to the above-stated concerns, there are several minor concerns and technical changes which have been submitted to the committee for consideration.

The Department looks forward to working with the Olympic committees to determine the best marketing strategy for the coin program legislated by Congress. Whatever direction Congress decides to take in Olympic coinage legislation, the Department will do its part to insure that the program is a success.

I would be delighted to answer any questions you may have at this time.

Senator CRANSTON. Thank you very much.

The House-passed version contains a provision for offering bulk sales of the coin to private marketers at a discount. Your estimates for the revenues which could be generated by coin sales by the Treasury uses a selling price of $22.50, reflecting $11.50 in metal and manufacturing cost to the mint and the $10 surcharge currently required under the House bill.

Under these circumstances, what kind of a discount could you offer to a bulk purchaser of the coins, and is that discount sufficient to induce private marketing agents to be interested?

DISCOUNT OFFERINGS

Mrs. BUCHANAN. Sir, the Department has a similar concern here.

If a discount was offered and the selling price remained approximately $22, one of two things would have to happen: The discount would have to come out of the cost to the Department, and the bill specifies that the Government cannot take a loss—or the discount would have to come out of the surcharge to the Olympic Committee.

From speaking to several marketing entities, the exact amount that they feel they would need in order to be attracted to work

with us in the marketing has not been determined, but it appears it would be quite a bit of money. Therefore, the surcharge to the Olympic committees would, resultantly, be reduced dramatically if we were to proceed under those constrictions.

Senator CRANSTON. You do not know exactly what kind of a discount you would be able to offer?

Mrs. BUCHANAN. The problem is this: No. 1, our marketing costs are very minimal. The marketing costs we have in the quoted price are just our mailing list and some other promotional material.

A marketing entity would want to expand the marketing costs, so the discount we could give them would not even cover their own marketing costs.

In addition to that, I have heard figures such as 20 percent to move silver coins, 15 percent to move gold coins. I have heard that in Europe 15 percent to move coins in the banks is expected, I have also heard that in the Canadian program a 10-percent discount on the gold coins was used when they sold at a discount.

We are talking about $2, $3, $4 per coin. And that, sir, is just the profit.

Senator CRANSTON. Since discounts aren't required for bulk sales, what constitutes a bulk sale under the House bill? Is it 5 coins, 50, 500, 5,000?

Mrs. BUCHANAN. It would be up to the discretion of the Secretary; he would decide what is indeed a bulk sale.

Senator CRANSTON. You have no idea what that would be now?

Mrs. BUCHANAN. We would work with the marketing entities and see what they feel would be reasonable. It would depend, sir, on what marketing entities or organizational structure we ended up with.

Senator CRANSTON. Will you have varying degrees of bulk sales? For example, is there a lesser discount for an organization that buys 500 coins than one buying 5,000?

Mrs. BUCHANAN. Speaking to the marketing experts, I understand that is often how it is done: Once you establish a figure, for instance, 500, there would be a certain discount for 500, but a greater discount for 1,000, 2,000—whatever.

Senator CRANSTON. There's also a discount for prepaid orders customarily. What kind of a discount is contemplated there?

Mrs. BUCHANAN. One of the changes we requested in the law is that this provision be eliminated. The Department expects prepayment on all of its sales.

To offer a discount on prepayments would be something unusual.

Senator CRANSTON. Would you provide any guarantee, if the bill was passed, of any certain amount that the Olympic Committee could count on?

Mrs. BUCHANAN. No. The Department has always taken the position that we would not make any guarantees.

Senator CRANSTON. The House bill provides for a bidding procedure to select a private organization to market and sell the coins internationally.

BIDDING FOR INTERNATIONAL SALES

What are the prospects for a private organization being interested in bidding for international sales?

Mrs. BUCHANAN. Let me just review with you what I have learned in the last couple of weeks as the possibilities along these lines. I have been in contact with two very reputable organizations who, under certain circumstances, may very well be interested in helping the Department with the marketing.

And when I comment on the marketing, I would hope that we could find an organization that would be interested in helping us with the U.S. marketing complementing the Mint on their efforts, as well as the international market.

The two organizations have allowed me to use their names. Let me stress, though, that in both circumstances no firm commitments have been made and it would really depend on the wording of the bill and what arrangements we could make with them.

That would be American Express and the Royal Canadian Mint.

Senator CRANSTON. What would you do if nobody wanted to bid?

Mrs. BUCHANAN. I would have a lot of work ahead of me, sir. I have spoken with the Olympic Committees about this possibility. The first thing I would do is review the letters I received from the individual entities around the world that have written to us; for instance, a bank in Germany has written saying they would like to move the coins in Germany.

I have received a letter from a group in Lichtenstein that said they would like to sell coins in several other countries in Europe. And in addition to other letters, we could piecemeal something together along those lines.

I would also work with the Olympic committees who said they would contact the individual countries' Olympic committees and ask them to suggest a marketing organization within their countries.

As I said, the Department would much prefer to have one organization taking charge of the overseas marketing.

Senator CRANSTON. Could the legislation be approved in any way, revised to promote interests in private marketing for the international sales of the coins?

Mrs. BUCHANAN. What the Department would like to see with the legislation is to have some flexibility so that if marketing entities were to approach us and want to negotiate the possibility of taking charge of the overseas market, that we could work out the best possible arrangement with them for the best possible arrangement for the Government, for the Olympic committees, and for themselves.

What exactly is the format that would take, I am not certain yet, so I cannot specifically state how the bill should read that would enhance that possibility.

Let me state that the organizations I have spoken with have indicated that traditionally the method by which they do involve themselves in these kinds of programs—and indeed this is the case history for former Olympic coin programs—is that they work with the principal organization—whether it be the Department of the Treas-

ury or the Postal Service in Canada, whatever group it is—to form the marketing and advertising techniques.

The Department of the Treasury in this case would pay for those costs. The marketing organization would recommend purchasing certain mailing lists, they would recommend dealing with certain banks in Europe and dealers in Asia, and we would pay the costs. The organization would then get a commission on the sales that result from the recommendations.

Under those circumstances, the cost to Treasury plus the surcharge, as is stated in the bill now, would be exactly how the pricing would work out.

Senator CRANSTON. Do you have any objection to raising the face value of the coins?

Mrs. BUCHANAN. The Department is of the position that at present the face value of the coins has traditional value simply because of the dimensions—the weight, etc.—are traditionally $1 coin, and $10 coins.

The numismatists like to have the continuity of traditional coins. The Department prefers it to remain that way, but in the past months we have, in a spirit of compromise, supported a change in dimensions which have resulted in nontraditional coins, and we would do that again.

Senator CRANSTON. Does the Treasury have any objection to increasing the number of coins—the coin designs?

Mrs. BUCHANAN. The Department feels that the most important thing is that we get an Olympic coin bill, that is the priority.

We do understand that the principal sponsor in the House is at this time opposed to an increase in the number of coins. We would support a bill that has more coins than the present bill, but we also support the three-coin program.

We feel the most important thing is that we do get an Olympic coin bill.

Senator CRANSTON. Will the sale of the Olympic coins compete with the George Washington commemorative?

Mrs. BUCHANAN. The mailing for the George Washington commemorative should go out in the next 30 days. The sales for them therefore should take place prior to the issuance of the Olympic coins, since the earliest possible date that we would be issuing the Olympic coins now would be next January and February.

So we do not feel that there should be any conflict whatsoever. Also the fact that the George Washington commemorative coin is a private commemorative coin and that it is the first commemorative of its kind in some time, I think will distinguish it from the Olympic coin program, which has a whole different thrust to it. There should not be any conflict there.

Senator CRANSTON. Do you feel that any substantial loss has been incurred by all of the delay that has occurred?

Mrs. BUCHANAN. There is no question in my mind that there has been. My understanding from the marketing experts is that there are certain seasons for marketing coins.

In the original bill that was proposed, one of the seasons was right about now, I believe. So we have missed this particular season. We are faced with a maximum number of seasons, being approximately three, for actually marketing these coins.

As time passes, there is every reason to believe that the potential revenue to the Olympic Committees is diminishing.

Senator CRANSTON. How soon do we need legislation formally enacted for you to meet the present goals and targets?

Mrs. BUCHANAN. Sir, we need it quite soon. The concern is this: The next marketing period for the coins is the period following the Christmas season, January, February, and March, which is the best time to market through direct mail, which is the method we will be using in the United States?

So we would like to have the coins ready to be distributed at that time. We can do that within 6 months. But the 6-month timing is approaching us rapidly.

Senator CRANSTON. You need a bill by the end of June?

Mrs. BUCHANAN. The best thing that could happen is for us to have it in June. In July the timing is getting a little closer. We could very likely have them done in January if the bill passed in July, since we would still have just about 6 months. But after July we would be in serious trouble.

UNITARY PRICE FOR COINS

Senator CRANSTON. Is it feasible to have the Secretary determine a unitary price for the coins and contract out to private marketers on a cost-plus basis, and if so, what factors would the Secretary take into account in order to determine the unitary price?

Mrs. BUCHANAN. When you refer to the unitary price, am I to assume that all of the coins for instance in the United States would have the same price?

In dealing again at the Department, we feel very strongly that all citizens of the United States should have access to the coins for the same price. That price is going to be difficult to determine at this stage.

Your suggestion for the cost—cost plus the surcharge, I feel is extremely reasonable. Having dealt with our marketing experts, they feel that that is a preferable way to go rather than the discount route.

We can work it either way, but it appears that the best route to go would be that one, from all of the information that I'm getting at this time.

Senator CRANSTON. One witness who will testify later this afternoon recommends an increase in the surcharge for proof-finished coins over and above the $10 minimum required by S. 1230.

For example, the surcharge for proof silver coins would be $15. The extra $5 could be transferred to private marketers in the form of a $5 reduction in the price, thus making the sale of proof coins a profitable venture for private marketers.

Would you comment on that proposal?

Mrs. BUCHANAN. Sir, there is every reason to believe that something could be worked along those lines as well. If we were to go the discount route, I feel strongly we would have to increase the surcharge in a similar way that was just described, so that when we gave the discount then that would be represented by the $5 and the Olympic Committee would still receive the $10.

What I would like, though, is the flexibility to determine the best way to go. For us to say now that it would be the $5, $5 may not suffice. In which case I will not have marketing entities. It may be more than enough but to be certain it need the flexibility to work with them and to decide the best route to go.

That is what we prefer in the Department.

Senator CRANSTON. Thank you very much. You have been very helpful and I appreciate your being here today.

Mrs. BUCHANAN. Thank you.

Senator CRANSTON. Our next witness is Douglas L. McCullough, Deputy Director, Energy and Mineral Division, General Accounting Office.

STATEMENT OF DOUGLAS McCULLOUGH, DEPUTY DIRECTOR, ENERGY AND MINERAL DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY CHARLES COTTON AND LEONARD ELLIS

Mr. MCCULLOUGH. Thank you, Mr. Chairman. As is my practice, I brought along two of the individuals in the General Accounting Office who have done most of the work in the area. On my right is Mr. Charles Cotton, who is in charge of the past work we did on this subject; and on my left, Mr. Leonard Ellis.

We appreciate the opportunity to comment on the need for an effective strategy to market coins commemorating the 1984 Los Angeles Summer Olympic Games. Our analysis of this issue is limited primarily to a January 11, 1982, report addressing problems associated with past Treasury-run coinage programs and factors that could be combined to stimulate public demand.

On May 20, 1982, the House of Representatives passed a bill to mint 50 million $1 silver coins and 2 million $10 gold coins to commemorate the 1984 Los Angeles Summer Olympic Games. The coins are to be sold within the United States by the Secretary of the Treasury, while the rights to market the coins outside the United States will be assigned to a private marketing organization. You requested that our testimony today focus on this legislative proposal within the context of the effective marketing strategy factors identified in our report.

We believe that a well-designed coinage program can provide important financial support for the 1984 Summer Olympic Games and U.S. amateur athletics. In our January 11, 1982 report we identify what marketing analysts consider to be an effective marketing strategy directed towards developing new demand and participation by investors of modest financial means. This strategy includes issuing the coins: one, in a price range affordable to most American families; two, with artistic beauty, commemorating an important historical event, person(s), or place; three, with a high percentage of bullion purity and in easily tendered amounts, creating a buyback market; four, bearing the year of mintage and in a condition similar to that of other coins issued for general circulation, giving them the appearance of money; and finally, through an economical, readily accessible, and simplified distribution system.

Market analysts agreed that the coins should be distributed without the necessity of order forms and special packaging, but suggest-

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ed that a percentage of the coins could be marketed as proofs at premium prices to numismatists. They stated that making the coins easier to obtain than other forms of bullion could increase participation by first-time and small investors. The market analysts we interviewed stated that with an effective marketing strategy, over 100 million coins could be sold within 3 years, including a 1-year minting and marketing lead time.

DESIGN OF COIN

The coins proposed in the House-passed bill favorably address many of these factors. At today's market price,[1] the silver and gold coins will be sold for about $20 and $220 respectively, making them affordable to most American families. Their design is to be emblematic of the 1984 Summer Olympic Games, thus commemorating an important historical event. The coins will have a high percentage of bullion purity with each coin containing 90 percent silver or gold.

The silver coin's diameter, total weight, and metal composition coincide with the traditional Liberty Head or Morgan type silver dollar, while the gold coin's technical specifications coincide with the Coronet and Indian Head gold eagles. This should make the coins easily tendered and create a resale market. The coins will be legal tender and issued in uncirculated and proof qualities. They will also be inscribed with the year of issuance and the words "Liberty," "In God We Trust," "United States of America," and "E Pluribus Unum," making them similar to coins issued for general circulation.

Despite all these apparent advantages to an effective Olympic coinage program, market analysts we interviewed believe that the success of any coinage program is contingent on an economical, readily accessible and simplified channel of distribution. In our January 11, 1982 report we note that poor merchandising and marketing efforts resulted in less than expected demand for the 40 percent silver-clad Eisenhower dollar and the American arts gold medallions, in part because the Treasury's ordering procedures are both complex and time-consuming. In our report, we identify commercial banks as an attractive alternative to overcoming distribution problems associated with these past U.S. coinage programs.

This committee has also addressed the issue of an effective distribution system for the American arts gold medallions. The Senate-passed Olympic coinage bill includes an amendment, adopted by this committee, to require the Department of the Treasury to begin bulk sales of the American arts gold medallions to the public and interested retailers. The amendment is intended to simplify and expedite sales of the gold medallions which this committee has found to be unnecessarily complex and inconvenient under the existing marketing program. The committee report also states that to make the medallions as readily available to the public as are the numerous medals and coins from other countries which can be quickly and easily purchased in many locations, the Secretary should be

[1] June 7, 1982, market prices were about $6 per troy ounce for silver and $325 per troy ounce for gold.

permitted to conduct sales through the facilities of the Federal Reserve and commercial banking system.

The House-passed Olympic coinage bill permits the Secretary to make bulk sales of the Olympic coins at a reasonable discount to reflect the lower cost of such sales. While the bill does not direct the Secretary to explore the feasibility of issuing the coins through the Federal Reserve System to this Nation's commercial banks, it does not preclude this distribution alternative.

We believe that a successful Olympic coinage program may require that sales be conducted through commercial banks in addition to interested retailers. This readily accessible and simplified channel of distribution may stimulate public demand for the coins by making them easier to obtain. Therefore, we recommend that this committee take the appropriate action to require the Secretary of the Treasury to determine the appropriateness of conducting sales of Olympic coins through the Federal Reserve and commercial banking systems.

Mr. Chairman, that concludes my statement. I welcome any questions the committee may have.

Senator CRANSTON. Thank you very much.

MERCHANDISING AND MARKETING

In your testimony you take note of the "poor merchandising and marketing efforts which resulted in less than expected demands for the 40 percent silver-clad Eisenhower dollar and the American arts gold medallions." Could you be more specific concerning what those marketing problems were and how they should be corrected in the future?

Mr. MCCULLOUGH. We identified problems associated with the Eisenhower dollar and the American arts gold medallion. The 40 percent silver-clad Eisenhower dollar authorized to be minted in 1970 is a numismatic issue. Order blanks were distributed to banks, not the coins. The first orders were limited to five proof and five uncirculated coins per customer.

Poor merchandising and marketing efforts have also resulted in less than expected demands for the American arts gold medallion. The medallion's lack of U.S. Government mint mark, do not specify weight or Troy ounces. These are critical attributes which limit the medallion's marketability. Furthermore, the Treasury Department ordering procedures are complex and time-consuming. A purchaser must, one, call a toll-free number to obtain a daily price; two, obtain an ordering form from a post office; three, obtain a certified check or a money order from a financial institution; four, assure that the form is postmarked on the same day that the price was quoted; and finally, wait up to 6 weeks for delivery. Now, I might add, Mr. Chairman, I heard the testimony just now from the Treasury Department that they recognize these problems and apparently are attempting to look for ideas so that they can overcome them.

Senator CRANSTON. Since you studied the past coin market and selling efforts undertaken by the Government, is it your opinion—is it likely, in your opinion, that a government-run program with no assistance from the private sector would be able to sell 52 million coins in 3 designs in 2 years?

Mr. COTTON. It was our opinion in our report that really any marketing program, coinage program, would require involvement of interested retailers, distributors of the coins throughout the Nation to make them—to make the coins readily accessible. In answer to your question, it could be that the Treasury Department would have difficulty selling that number of coins without the involvement of both private enterprise, Federal Reserve and the commercial banking systems.

Senator CRANSTON. Do you have any opinion regarding whether the bulk sales provision combined with the surcharge requirements contained in the House-passed bill offers sufficient incentives for private sector involvement?

Mr. MCCULLOUGH. We have some information in this area, and we noticed the legislation provides for bulk sales at a reasonable discount to reflect lower cost of such sales. If this discount, however, does not permit bulk buyers to make a reasonable profit, we suggest that the minimum $10 surcharge for the silver coin perhaps be the bulk sale, before the bulk sales, whereas the Mint-directed sales, surcharge could be increased appropriately. I think the Treasurer of the United States basically talked about this in her testimony and we had noted this has been suggested by them in the past.

Senator CRANSTON. Would the sale of the Olympic coins be enhanced if private marketers participated with the Mint in the selling of the coin?

Mr. MCCULLOUGH. I do not think there would be any question about that, Senator. Certainly with the bulk sales provision which provides for the entree into the program, sales would be enhanced through that system.

Senator CRANSTON. Would you care to comment on the unitary pricing scheme that would allow private marketers to sell the coins? Also, what protections would have to be included for the Federal Government, other than the protections already enumerated in the Senate-passed bill concerning private markets?

Mr. COTTON. We do not discuss that in our reports, however, there is no opposition on our part to assuring equitable pricing, that the coins be sold to the general public at a specified price. As Mr. McCullough just reflected, the bill requires a minimum surcharge of $10 that could apply to bulk orders and the sale price by the Treasury could reflect an increased surcharge to cover the estimated marketing costs for the bulk distributors. That way, whether you bought it from the Treasury, whether you bought it from the bank, or whether you bought it from Deak & Co. or someone else, it would be the same price and still afford the private marketers a reasonable return on investment.

Senator CRANSTON. Thank you very much.

Mr. MCCULLOUGH. Thank you, Senator.

Senator CRANSTON. Our next witness is Mr. Angelo Leparulo, executive vice president, Occidental Petroleum Corp., Washington, D.C. Since our next witness represents a California corporation I want to say a few words about him and Dr. Hammer who was to be here, but who could not be here with us today, unfortunately. He sent one of his prized executive vice presidents who directed the Olympic coin sales effort in Russia and spearheads Occidental Pe-

troleum's efforts, current efforts, to assist the Olympics through a coin program. Dr. Hammer felt that Mr. Leparulo could provide assistance to this committee to examine the House-passed version of S. 1230.

It is not possible to say whether Congress will authorize the coin program in which Occidental Petroleum would like to participate. I gathered they may no longer be interested in doing so, but Dr. Hammer is interested in providing this committee with technical assistance so that he can, directly or indirectly, help the staging of the Olympic Games in Los Angeles.

I am sure Occidental Petroleum would like to have received the profits generated by the Senate-passed Coin Act, but profit is not Dr. Hammer's only motive in this or in many other matters. He said at the House Banking Committee's hearings on the Coin Act, "I am personally committed to the success of the Olympic Coin program. We owe our athletes no less."

I am confident that at this stage Dr. Hammer's real interest is to help the Olympic athletes and the Olympic Committee stage the best summer Olympics possible. Dr. Hammer is one of California's finest citizens. His altruism is widely known and I am pleased to welcome his representative to this committee.

STATEMENT OF ANGELO LEPARULO, EXECUTIVE VICE PRESIDENT, OCCIDENTAL PETROLEUM CORP.

Mr. LEPARULO. Thank you, Mr. Chairman. I thank you for your remarks. Your comments regarding Dr. Hammer's interests are well founded.

Mr. Chairman, my name is Angelo Leparulo, executive vice president of Occidental Petroleum Corp. I have been asked by Dr. Armand Hammer, chairman and chief executive officer of Occidental, to appear before you on his behalf. The following is Dr. Hammer's statement:

I regret very much that I cannot personally be here today to respond to your request to testify concerning S. 1230, the Olympic Coin Act of 1982, but I have just returned to Los Angeles from a very strenuous trip.

I offer today the expertise of myself and my associates in the matter of marketing these types of coins, but I stress to you that as a result of misrepresentations in the discussions in the House, which resulted in a bill which in our opinion is not workable and possibly misleading, Occidental Petroleum Corp. has no interest in the program. Our interest at this time is in the Olympic athletes, the city of Los Angeles of which we are a corporate citizen, and the correction of some very bad legislation which has no chance of success and which damages the Olympic program as a whole.

Occidental is pleased to be of assistance to the committee, although I regret the necessity for this hearing, which is required because the two Houses of Congress have passed polarly different versions of the Olympic Coin Act. In particular, I regret the manner in which a version of the Coin Act which was compatible with the Senate-passed version was defeated on the floor of the House. There are legitimate grounds for disagreement about the proper approach to Olympic Coin legislation; most notably, whether the

coins should be marketed privately or by the Government, and the number of coin designs. Regrettably, most of the opposition to the bill during the House debate did not consist of a reasoned discussion of legitimate points of difference, but rather strident, irresponsible, and inaccurate characterizations of the nature of the issue. More attention was given to vitriolic attacks upon Occidental and me personally than to the merits of the alternative versions of the act. The net result is that the House appears to have voted on the basis of a wave of negative emotion generated by false charges, rather than on the basis of adopting a bill that will best serve the interest of our Olympic athletes.

I know that this committee is concerned that the bill which has been passed by the House will not provide the needed support for the Los Angeles Olympic Organizing Committee and the U.S. Olympic Committee and I share that concern.

POSSIBILITIES OF PROPOSED LEGISLATION

Let me tell you why the current House bill is not in the interests of the Olympic Committee, the Olympic movement and the American taxpayer. The basic flaws in the Annunzio legislation are fivefold: First, there is no guarantee of $30 million or $50 million or any amount from the government for the athletes and no immediate payment to the U.S. Olympic Committee which is in desperate need of immediate funds. For the taxpayer, they would have to absorb the Treasury costs and take the risk of minting unsold coins, should the program not succeed.

Second, it provides for far too few coin designs. Under the Annunzio legislation there would be only two silver coins and one gold coin. This is not a sufficient variety of coins to appeal to all segments of the public.

Third, and most importantly, the face values are totally unrealistic. The silver coins would have a face value of $1 and the gold coin would have a face value of $10. The coins would have to be sold at multiples of approximately 25 times face value and the general public, in our opinion, will be unwilling to pay multiples of that magnitude. This is in stark contrast to the multiples of 2½ to 4 times under the St Germain version of the act. The difficulties in selling the low face value coins can be easily understood by comparing the value of the product, as measured by face value, with the selling price. The total face value of the coins authorized by the Annunzio bill would be $70 million compared to $325 million under the St Germain bill. At a multiple of 25 times face value, this $70 million worth of profit would have to be sold for $1.750 billion, whereas at an average markup of three times face value, the $325 million worth of product under the St Germain bill would have to be sold for only $975 million. You do not have to be a very sophisticated marketing person to realize that that would not work. In all probability, there would be very few purchases.

Fourth, the number of coins authorized by the Annunzio bill, 50 million silver and 2 million gold coins, is excessive and will destroy demand for the coins.

Fifth, the marketing arrangements under the Annunzio bill, which permit bulk sales within the United States and internation-

ally, are wholly unworkable. The overseas marketer has little or no chance for potential profit. The margin he has to work with would only be the bulk discount he would get from the Treasury. From this discount would have to be paid the expenses of selling, distribution, advertising, sales promotion, direct mailing, et cetera. Further, the combination of permitting bulk sales of the coins within the United States is not compatible with choosing a marketing organization for international sales since coins bought at bulk domestically could be shipped abroad and used to take advantage of the foreign markets and destroy any coherent and organized marketing effort. Also, there will be no broad-based advertising or sales promotion of the coins in magazines, TV, newspapers, et cetera, since other than the U.S. Treasury, there is no private organization with the incentive to pay for such promotions.

The reasons stated above will greatly limit the possibilities of a successful Annunzio coin program, which strengthens the belief that it was ill-conceived and not with the thought of helping our athletes, but rather with the thought of defeating the Senate measure. This was accomplished not on the merits of the issues but rather by irresponsible and inaccurate characterization of the nature of the issues. The real losers under Mr. Annunzio's bill are the Olympic athletes.

My purpose with this statement is to be of assistance to the committee; for reasons stated previously, the Coin Group has no further interest in the Annunzio bill. I also wish to correct some of the misinformation that was disseminated at the sessions of May 20 before the full House who were considering the Senate bill and to respond to some of the untrue and unfair attacks that have been made on Occidental and me personally.

After consideration of a large number of companies including such organizations as American Express, Franklin Mint and others, the LAOOC chose our Coin Group, consisting of Occidental and Lazard Freres, the well-known international banking firm, based on the merits of our proposal, including our guarantee and cash advances. It never occurred to me that the agreement between the Los Angeles Committee and our Coin Group which was entered into because they considered our involvement, the involvement of private enterprise to be essential, and because the financial terms offered by our Coin Group were more attractive than those offered by others, I never thought that this would be subject to attacks and innuendos that somehow the arrangement was not proper. We were willing to enter into the agreement because we believed that Congress would ultimately enact a sound program and would recognize the need for the coins to be marketed by a private organization rather than by the Government.

The administration, after thorough consideration, recognized that the best possible Olympic coin program required that marketing efforts be carried out by private enterprise rather than Government. The administration also recognizes that a successful program requires a substantial number of coin designs in order to appeal to the widest possible audience. The U.S. Senate concurred with this approach. The House Banking Committee also came to that conclusion. Unfortunately, however, the majority of the full House of Representatives believed in the misleading and in some cases bla-

tantly untrue statements, and adopted a version which provides for only three coin designs to be marketed by the Government and a hodge-podge combination of Government and private marketing worldwide.

STATEMENTS MADE ON THE FLOOR OF THE HOUSE

Now, Mr. Chairman, I would like to turn my attention to the inaccurate statements which have been made on the floor of the House in a successful effort to destroy the compromise St Germain bill under which our group was willing to offer a $30 million guarantee, if we were the successful bidder.

Much has been made of the fact that Occidental Petroleum has paid no Federal income taxes for the last 3 years. The Nation's tax laws have been adopted by the Congress based upon its judgment as to what is good for the economy and good for the country as a whole. The fact that Occidental Petroleum has not paid Federal income taxes in recent years results from the circumstance that nearly all of its income has been from foreign sources and Occidental is therefore obligated to pay substantial foreign taxes for which it receives a foreign tax credit under U.S. law. That no company should be subject to double-taxation in this respect has been the law in the United States for the past 65 years.

I would like to note that Occidental was also criticized unfairly as an unintended abuser of the 1981 safe-harbor leasing provision. To put our involvement in a proper perspective, the U.S. Treasury Department reported on safe-harbor leasing activity for the year 1981. Occidental's safe-harbor activity made up less than 1 percent of the leases and value of property reported to the Treasury Department.

Unfounded statements were made by Mr. Annunzio that private marketers under the compromise St Germain bill would make $200 million to $400 million in profits. The truth is that our Coin Group profits were estimated to be only about 6 to 8 percent of sales, a modest amount, particularly in view of the risk associated with a $30 million guarantee.

Throughout the debate in the House, opponents of the St Germain bill persisted in stating that it provided for 33 coins. The fact is that the St Germain bill provided for 17 coin designs, not 33. The reference to 33 coins which was mentioned during the House debate was a known untrue statement and only confused the issues.

Mr. Chairman, there are other misrepresentations which I could address, but I believe that this testimony demonstrates the extent to which the House acted on false information. Witnesses on behalf of the Coin Group testified before the House subcommittee in some detail about their concerns with the Annunzio bill which has passed the House. I know you have access to that testimony.

In conclusion, I am submitting this statement at your invitation with a deep sense of sorrow since I feel, as I said earlier, that the real losers in the House action are the Olympic athletes. It is tragic that irrelevancies have been permitted to obscure the choice before the Congress.

Mr. Chairman, in the course of the House debate, Congressman Bill Lowery of California stated:

As Chairman St Germain has so ably pointed out. we have heard a good deal of debate, innuendo and outright character assassination. As a wise old lawyer once said, "If you've got the facts, you pound the facts. If you've got the law, you pound the law. If you don't have either, you pound the table." I submit that we have heard a great deal of table-pounding in utter disregard of the facts.

Finally, Mr. Chairman, because of the attacks upon me and Occidental, I want to state that I am proud of what Occidental Petroleum has represented and I am equally proud of what I have represented. I believe my record speaks for itself, but I am pleased that before this body I can quote from three recent letters by U.S. Senators who were writing to Mr. Robery Gray about me:

Senator John Glenn: Armand Hammer certainly is a remarkable example of our free enterprise system. His outstanding achievements are a credit to himself and the Nation.

Senator Bill Bradley: Dr. Armand Hammer truly has led a remarkable and productive life and is someone of whom we can all be proud.

Senator William Proxmire: I agree with you on the remarkable genius of Dr. Hammer and the great contributions he has made to our country. I've known Dr. Hammer for many years and greatly admire and respect him.

Mr. Chairman, I have worked tirelessly for projects which I think are important to this country and to the world as a whole. I will continue to work for those things in which I believe. I am deeply resentful that what should have been a debate on the merits of two different approaches to marketing Olympic coins degenerated into a vitriolic, unfair, and untruthful attack upon me and Occidental Petroleum. Mostly, however, I regret that the actions of the House have seriously undermined the hope of achieving a sound Olympic coin program which will provide maximum revenues to the Olympic Committees and our athletes, who so richly deserve our support.

Thank you for this opportunity to present my views.

Senator CRANSTON. Thank you very much for an interesting and, in many respects, distressing testimony.

Given the limited time we have to enact the measure now and given the problems that you are well aware of and given the need to take into account the positions so strongly taken by the House, what would you do to the present bill to make it better?

Mr. LEPARULO. I think, to the present bill, the only method of maximizing revenues for the Olympic committee would be to revert to the compromised bill before the St Germain bill basically—we do not believe——

Senator CRANSTON. That is presumably an impossibility, given the mood of the House.

So, what would you do, taking into account the position of the House? Do you think there is any way to improve, at least, the bill that is now before us from the House?

Mr. LEPARULO. Only by disregarding it and working off, as your base case, the Senate-passed bill—in other words, perhaps compromise the Senate bill.

But the basic flaws that are in the Annunzio bill are basic. They could not change, sir, unless those flaws were corrected.

Senator CRANSTON. Do you think private marketers would be attracted to a cost-plus arrangement with the Mint?

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Mr. LEPARULO. I would doubt it, sir.

Senator CRANSTON. What amount of profit would be needed to get them interested?

Mr. LEPARULO. I think what you would have to do, sir, is—the Treasury and the Mint, if you will, should be looked upon strictly as producers, manufacturers. You pay their costs, guarantee them against losses.

PRICES VARY

But setting a retail price, which is presently the way it is being done, means you will have different prices all over the country—for that matter, all over the world. That is why you will have a flow of product going from the United States—or possibly a flow of product going from the United States to foreign countries, if you will. This is only going to undermine the entire program.

I think the Treasury, as I said, should be interested from being a manufacturer, and then a single contract be sent—be let out, possibly on a cost-plus basis.

Senator CRANSTON. What if there were one set price across the country?

Mr. LEPARULO. Sir, it is difficult to put one set price. You have to understand that the price of the metals are going to vary through time. Therefore, the supplier, in order to have a—one set price, has to hedge the metal or the Government has to hedge the metal.

Senator CRANSTON. If a unitary price is established and private marketers were in the program, could it be expected that the private marketers would provide a small guarantee to the Olympic committee?

Mr. LEPARULO. No, sir.

Senator CRANSTON. Would the House-passed version be more or less effective than the Canadian Olympic coin program?

Mr. LEPARULO. In my opinion, it would substantially be less effective.

Senator CRANSTON. As a private marketer, what is your company's view? Do you foresee as the Mint's marketing program?

Mr. LEPARULO. I just heard of the Mint's marketing program. I don't see that it is very firmly in place. It seems to be moving all over the place, with different possibilities occurring.

What I did get out of it from the testimony which I just heard this morning, you have the probability of many different prices for the product, because they will be dealing with many different companies.

In order to try to attempt to solve this, marketingwise, each company will have different expenses. When it comes to expenses, these are going to be high.

Let me give you an illustration. To put an American Express mailing out, the bills that we get will have these circulars.

The entire package that we utilize in the Russian coin program, that runs $1.50 each mailing—per letter, and you do not get success on each letter. So, those costs are kind of expensive.

Senator CRANSTON. Thank you very much.

Do you have any questions?

The CHAIRMAN. No, I don't.

I thank Senator Cranston for chairing for me. I was involved with the supplemental that had been urged in March. We did get it put together, I believe. But I appreciate Senator Cranston being here to take over at these hearings.

I will not take the time of the committee to make a long opening statement. I would ask unanimous consent that my opening statement on this issue, and my position, be placed in the record at the beginning of the hearing.

I think my position is well known on this particular issue. I would only note it has been almost a year, when I first held hearings on this issue, and then we passed the Senate bill.

HOUSE-PASSED BILL

I would only comment briefly on the testimony of Angela Buchanan and say I am disappointed with it—particularly, because the Department considers that the House-passed version of S. 1230 is a fine coin program. I am disappointed that representatives of my administraion would exercise that kind of poor judgment in testimony, to say that that is a good piece of legislation. What happened in the House was a sideshow of innuendo, distortion about what had gone on.

We spent months producing the Senate bill, in consultation with the Treasury. Our version was finally supported by them, after we made all kinds of changes in the bill, cut down the number of coins, eliminated the potential abuse that some people saw that I did not think existed in the first bill.

After all of that, now we have the Treasury going over and saying that this is a fine coin program. Well, I don't know for who—certainly not for the Olympic athletes.

Once again, politics as usual rides high in Washington. We have games over there to smear people, all kinds of innuendos for whatever purpose.

Our major objective was to help the Olympic games and athletes, not only in 1984 but in the future. I wish somehow we could convince some Members of the House that that is what it was all about and that was the primary purpose.

I wish we could get back to that and realize that that was the primary purpose for which we got into that on this side of the aisle, this side of the Congress, merely a year ago—to structure legislation to eliminate abuse and to raise moneys for the Olympic cause. Well, it may be designed to eliminate abuse; I thought we had already done that in all of the concessions that we made with Treasury. But I do not think it will make much money for the Olympic cause, no matter how sincere the Treasurer is in talking about how great a job they are going to do.

I would only look at a few examples. The Mint only sold 38 percent of 1.5 million ounce, and one-half ounce gold medallions authorized for 1980. Similarly, for 1981, the Mint sold 15 percent of only 400,000 gold medallions, of 150 million Eisenhower dollars authorized, the Mint only sold 21 million proof and uncirculated coins over 4 years.

Finally, it took GSA 8 years and 7 sales to sell only 2.9 million Morgan silver dollars, with a $10 million budget for advertising.

I would like this administration, that came in reducing the size of Government, to convince me that a Government agency can do anything very well. Certainly Treasury has no track record whatsoever.

We are kidding ourselves with the Annunzio bill. You produce some coins, and the Treasury will thrash about and say they are trying to sell them. There is no marketing expertise over there. If they want to come back and testify that there is, I would like them to show me some examples of where they have been successful at selling a coin. They simply have not. That is a matter of fact, not a matter of opinion.

I am disappointed at what went on in the House. I think the Senate had a good bill. I don't know what we can do about it now. Whatever we can work out to send something more reasonable back to the House, I am willing to attempt that with Senator Cranston. But I think we are kidding ourselves if we just accept the Annunzio bill, that it is not worth the time or the effort to go through with in its present form.

I would like to call to the witness table now Col. Donald F. Miller, executive director, U.S. Olympic Committee, Colorado Springs, Colo.; and also Harry Usher, executive vice president, Los Angeles Olympic Organizing Committee.

STATEMENT OF COL. DONALD F. MILLER, EXECUTIVE DIRECTOR, U.S. OLYMPIC COMMITTEE, COLORADO SPRINGS, COLO.

The CHAIRMAN. We would be happy to hear your testimony.

We would appreciate it if you could summarize your testimony, and we certainly will place your entire testimony in the record.

Mr. MILLER. I am the executive director of the U.S. Olympic Committee.

I would also like to express my appreciation for your expeditious scheduling of these hearings, sir.

It is a pleasure for me to appear before you to present the views of the U.S. Olympic Committee regarding S. 1230.

Our president, William E. Simon, the former Secretary of the Treasury, and several of our outstanding former Olympic gold winner medalists appeared before you on July 14, 1981, to present testimony concerning this bill. Since that time, many things have occurred relative to the coin bill which have required that the U.S. Olympic Committee re-examine its position.

One thing which has not changed in the more than 1 year since this legislation was first introduced is the need which the U.S. Olympic Committee has for a coin bill. The need for such legislation and the funds which it will provide is both great and urgent.

DEBT EXCEEDS $3.3 MILLION

We have previously discussed this need with you. However, our financial situation has changed significantly since then. We are currently in debt for over $3.3 million, and we are paying interest on that amount in excess of 16 percent per annum. In order to overcome this situation, we must have a coin bill enacted and we must have it soon.

The U.S. Olympic Committee is the only national Olympic committee in the world which does not receive some form of direct subsidy from its government, nor do we seek direct subsidy from our Federal Government.

It is therefore entirely appropriate that the U.S. Olympic Committee be the beneficiary of a commemorative coin program. Since 1964, the host countries of the Olympic games have followed the custom of minting coins to honor the games. The United States, as host of the 1984 games, should, by all means, keep this tradition alive.

The U.S. Olympic Committee will use its share of the coin program's proceeds to help train the U.S. team for the 1984 games in Los Angeles. We, the athletes, and the national governing bodies have committed ourselves to fielding the finest U.S. team in history for these games.

We will also use the proceeds to fulfill the responsibilities given to us by the Amateur Sports Act of 1978 to promote and encourage amateur sports in America.

A successful coin program will provide sufficient funds to attain these goals and to establish an endowment which would not only benefit our team at the 1984 games, but future teams and athletes at all levels of participation.

Because of our current financial situation, we have been required to curtail many of our activities and programs in pursuit of these goals. A coin program is absolutely essential in order to correct this situation and to enable us to achieve the goals which I have mentioned.

Mr. Chairman, when we testified before this committee 11 months ago, on July 14, 1981, we supported an Olympic Coin Act which provided for 25 different coin designs to be marketed worldwide by a private organization with great experience in the marketing of Olympic coins.

As you know, the House overwhelmingly rejected that concept and passed a bill which provides for 50 million silver $1 coins in 2 different designs and 2 million gold $10 coins of a single design to be marketed primarily by the U.S. Mint, in cooperation with private business, through the vehicle of bulk sales to competent consumer marketing organizations.

We now support this version of the Olympic Coin Act.

First, we believe that any bill which radically departs from the House version has little chance of passage this year.

Second, we believe that the Mint is capable of successfully marketing the coins, in view of the limited number of designs that the Mint will be required to offer to the public.

Moreover, we have been assured that the Mint will work diligently to ensure that bulk sales will be made to companies with demonstrated experience and ability in reaching the consumer, not only in the United States but throughout the world.

S. 1230, as passed by the House, expressly requires the selection of experienced marketers to sell the coins outside the United States. If all 52 million coins are sold, the U.S. Olympic Committee and the Los Angeles Olympic Organizing Committee will receive a profit of $600 million.

Mr. Chairman, we have been told that if an Olympic Coin Act is not passed in the next 2 or 3 weeks, the Mint will not be able to implement the program in time for the Christmas season and January and February 1983, thereby losing the opportunity to sell the coins during the months that have proved to be the most successful for selling such coins.

Mr. Chairman, we urge the immediate passage of S. 1230 with the technical amendments proposed by the Treasury Department and also an amendment increasing the number of gold coins from 2 to 3 million.

We thank you for this opportunity to testify.

The CHAIRMAN. Mr. Usher.

STATEMENT OF HARRY USHER, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER, LOS ANGELES OLYMPIC ORGANIZING COMMITTEE

Mr. USHER. Mr. Chairman, my name is Harry Usher, and I am the executive vice president and general manager of the Los Angeles Olympic Organizing Committee. With me is Glenn Wilson, an assistant to the president of the LAOOC.

Almost 1 year ago I sat in this chair with the president of the LAOOC, Peter Ueberroth, to testify in favor of a bill cosponsored by Chairman Garn, Senator Cranston, and others.

Officers of the U.S. Olympic Committee—William Simon and Col. Don Miller—joined at that time to urge passage of S. 1230.

Mr. Chairman, you may recall the administration last year was not as excited about your legislation as we were. Nevertheless, this committee, followed by the full Senate, approved the Olympic coin legislation that we supported and thought was a proper approach.

It was a private sector concept that would have resulted in a profit to the taxpayers as well as raise considerable sums for amateur athletes and the Los Angeles Committee charged with hosting the 1984 games. Risk was to be the private sector's.

Mr. Chairman, I am not a coin expert, so we at the LAOOC particularly liked the original S. 1230 which would have used professionals experienced in the coin business to distribute, advertise, market, and manage a 29-coin program.

In an effort to accommodate the administration we compromised the number of coins to be minted from 29 to 25. Later we agreed to reduce the number further to 17—all in an effort to reach a consensus among the Senate, House of Representatives, and the Treasury Department.

Although we had a contract with a group of companies willing to underwrite the enormous costs of a coin progam we agreed—and the private investor group concurred—to give up that contract, along with its $50 million guarantee to the Olympics and open up the program to new proposals and bidders.

In short, we in Los Angeles felt we made every reasonable concession, every possible compromise, to achieve a responsible Olympic coin program that would remain in the private sector and raise considerable sums for both the Los Angeles Olympic Organizing Committee and the U.S. Olympic Committee.

EXPECTATION OF NET PROCEEDS

Our expectation of net proceeds to the two Olympic committees was not just the $50 million guarantee but well in excess of $100 million. Finally, last month the chairman of the House Committee on Banking, Finance and Urban Affairs (Mr. St Germain) introduced an amendment to S. 1230 which had the support of the Olympic movement, the Treasury Department, and which I understand, was acceptable to this committee.

The House Banking Committee overwhelmingly voted to report that consensus legislation.

On the floor of the House, however, a substitute was adopted which has only 3 coins and marketing is to be managed in the traditional way—through the U.S. Mint.

Mr. Chairman, the sponsor of the House floor substitute (Mr. Annunzio) has stated his program would raise more funds for the Olympics than the St Germain measure.

In our minds this means more than $100 million. Moreover, the Treasurer of the United States testified that she believed the Mint could turn over to the Olympics $66 million within 4 months after passage of the Annunzio legislation.

Frankly, Mr. Chairman, whether it is $100 million or $66 million, the important point from the perspective of the two Olympic committees is that an Olympic coin program be enacted by both Houses of Congress immediately.

Consequently, we urge enactment of the House floor substitute. Given the short timeframe, we believe that there is no other alternative. Through such passage we may then look to the performance by Congressman Annunzio and by Ms. Buchanan that they have referenced these past several months.

During the past month our president has been traveling abroad through the Iron Curtain countries, throughout Western Europe, including an executive board in full session of the International Olympic Committee in Rome.

Throughout each of those visits in each of those countries the question has repeatedly been raised: How come this country, which boycotted, very easily, the games in the last quadrennial, cannot execute through Congress a coin program?

Why is it that this particular country cannot celebrate the Olympics in its own country with a coin program that benefits not only the organizing committee, not only the athletes of its own country, but the athletes from around the world through sales in their respective territories?

There is no easy answer to that question. All we know is the victims of this legislative nightmare is that something must happen and happen immediately.

We do not see how anything can happen over a short time period without acceding to what has happened in the House in substance.

The Treasury amendments I do not think are difficult to take. I have not studied them, but I think we can accept them, generally.

We must urge immediate action. Regretfully, it is not in the private sector. Possibly, with sufficient flexibility things can work out well for all concerned.

But immediate action is urged, and we very much appreciate this committee's quick action.

Thank you.

The CHAIRMAN. Thank you. Mr. Usher, and Colonel Miller, I understand your positions. You are backed up against the wall. You are taking what has been dropped on you from the House and I understand your position.

We have to do that quite often with the other body, as you know. I do not intend to delay at all. I do think it is worth examining the possibility of the compromise quickly to try and produce a better bill.

But I do think that we may end up with having to take the same pig in a poke that you are forced to testify in favor of today.

I hate to see the process—whether it is on this issue or anything else—of the House being stampeded the way they were with misinformation about what had been done.

They may have debated long over there, but there was not much in the way of truth that was told on that floor, from what I saw about the months of negotiation with Treasury. That is why my disappointment with—after all those months of negotiation, my disappointment with the Treasury's testimony on what a good bill that is.

I do not say that lightly; it is not just a few examples I gave you. I can remember sitting on this committee, not as chairman, on the Susan B. Anthony bill. Everybody thought it was a dog, and I'm not talking about women's rights or anything else. I favored the Susan B. Anthony silver dollar.

But we'd looked at the proposed designs, and there was a pretty general consensus that it would not sell. Treasury's judgment, you know, was just like I have heard today—they are going to do it.

I tried a little amendment just to have a marketing study to begin with before they went into that program. Wow! Only 319 million Susan B. Anthony dollar coins are in circulation—319 out of 853 million struck. The mint is holding over 500 million Susan B. Anthony dollars in inventory. Only 37 percent of the coins struck since January 1979 are in circulation.

That was for money, you know, for people to use. I mean, who is kidding who? I hope the Treasurer is correct, I hope Congressman Annunzio is correct, I hope they can produce.

I will cheer them, I will pat them on the back, I will send them a congratulatory letter. I hope they can deliver, I am certainly going to push them to deliver, if that is what we end up with.

But it will be the first time Treasury has ever delivered. They just simply have not.

Susan B. Anthony is a perfect example. That was not a commemorative coin, that was coin of the realm, to be used.

How many have you got in your pocket? When we had a few of them around I don't know how much money I wasted thinking it was a quarter.

Of course, that is only worth 10 cents in any event. That was their judgment. They knew how that one was going to work.

In any event, gentlemen, we appreciate your testimony and your willingness to work so long and hard on this on behalf of the Olympics.

We have always started from a great disadvantage, as has been pointed out. Communist countries simply subsidize their athletes directly and take care of all of their needs.

It is amazing to me how incredibly well our athletes do considering the hardships that our Government places before them to have the honor of competing for their country, when these fulltime athletes in these countries are picking up the gold medals and silver and so on.

I wonder what it would be like if we could actually have enough funding so they could train all the time and not have to go to work.

It might be amazing. We just might find out that those Russians are about 3½ feet tall without all of their government subsidies. No doubt in my mind, we'd still produce better athletes, if we weren't at a disadvantage to them.

Well, I will get off my soapbox and thank you again for coming.

Mr. MILLER. Thank you very much.

Mr. USHER. Thank you.

The CHAIRMAN. I invite to the witness table our second panel: David Bowers, Arthur Friedberg, and Chester Krause.

But, before we start your testimony, I would like to welcome Senator Kasten to the committee for the purposes of an introduction.

STATEMENT OF SENATOR KASTEN

Senator KASTEN. Mr. Chairman, thank you very much. I want to join you in order to have this opportunity to introduce a constituent of mine and a friend who happens to be the largest publisher of coin hobby reference books and periodicals in the world.

Chester L. Krause has assembled a wide variety of authorities in the little town of Iola in central Wisconsin, and I think you will recall I was here to introduce him at another hearing before this body almost a year ago.

Then as now the outcome of your deliberations are of great concern to him and also to the entire community of coin collectors.

I urge that full consideration be given to the views that he is here to express. I am confident that you, Mr. Chairman, will be anxious to work with him and to listen to his testimony.

The CHAIRMAN. Thank you, Senator Kasten.

Senator Proxmire, do you wish to make a comment?

Senator PROXMIRE. I would like to say a word about Mr. Krause, who is an outstanding citizen of our State. We are proud to have Mr. Krause here.

He is a numismatic expert, and this is a fascinating and vital area. We are happy and proud to have him here. I know he will be a very helpful witness.

The CHAIRMAN. Mr. Bowers.

STATEMENT OF Q. DAVID BOWERS, VICE PRESIDENT, AMERICAN NUMISMATIC ASSOCIATION, WOLFEBORO, N.H.

Mr. BOWERS. I appreciate the opportunity, Chairman Garn, to be here today.

I have been in coins for 29 years, and that is just about as long as Chet Krause—who has just been honored—has been in coins.

He has been in a little bit longer, I think 1 or 2 years longer than I have been.

During that time I have been a collector and a dealer. Currently I am vice president of the American Numismatic Association, an organization comprising some 40,000 members—the largest organization of coin collectors in the world, representing an estimated 8 to 10 million people totally.

I have been the past president of the Professional Numismatist Guild. I mention it because I have been a rare coin dealer and have bought and sold coins. I also journeyed to Moscow during the deliberations for the Moscow Olympic coinage and advised the Russian Government on certain things, so I have some background in this.

The American Numismatic Association feels that while the Annunzio-sponsored legislation is not precisely what it would have sponsored, it comes the closest to what they consider to be an excellent situation.

As Colonel Miller just mentioned a few minutes ago, if all of the coins under the Annunzio proposal are sold, it will raise $600 million.

Chairman Garn, you have mentioned Treasury has been unsuccessful in a number of instances in the past.

I appreciate your observation of that, but even if the Treasury were 10 percent successful, instead of bringing $600 million, it would bring $60 million. Those figures are still in excess of the guarantees and other numbers mentioned under the private system.

A survey by another publication, Coin World, indicated that most collectors view a proposal similar to the Annunzio proposal to be the best.

The opinion seemed to be divided on two issues:

Should there be a small number of coins or a large number of coins?

The Annunzio proposal has gone toward a small number, which is what most people seem to prefer.

DISTRIBUTION OF COINS

Whether there should be private distribution or public distribution.

I feel that public distribution is the best way to go. I recognize that the Treasury Department in the past has been—the Bureau of the Mint, excuse me, in the past has been widely criticized. But some of the criticism, in my opinion, is not fair. The Bureau of the Mint is the marketing arm that would be charged with the selling of these.

Over 2 million Carson City silver dollars that had an advertising budget of $10 million and were sold over a period of 7 or 8 years has been characterized as a flop. First of all, that had nothing to do with the Bureau of the Mint. The Bureau of the Mint did not sell these, advertise these, assist in the promotion, or in any way become involved. It was not a flop; the coins were sold. It took a number of sales to do it. Tens of millions of dollars were realized. It was—even including the $10 million advertising budget, it turned out to be a very profitable venture.

Such things as the Eisenhower dollar, which has also been mentioned as a nonsuccess, these were not originated by the Bureau of the Mint. These were things thrust upon the Bureau of the Mint by Congress.

It has been suggested that the bicentennial coin, which was not as successful as it should have been—it almost is implied that the Bureau of the Mint suggested the bicentennial coinage; they did not. There were 45 million bicentennial coins minted by direction of Congress. The fact the Bureau of the Mint did not sell them, could not sell them, does not reflect upon the Bureau of the Mint's abilities.

In my opinion——

The CHAIRMAN. Mr. Bowers, if I could interrupt you there, most of the direction of what Treasury does comes from Congress. I do not understand your point that because they did not originate the suggestion, that explains their failure to not sell those coins. I would expect that they should still make maximum effort to sell whatever they are minting, regardless of where the source of that decision came from.

Mr. BOWERS. It has been stated that the Bureau of the Mint is inept or a failure at selling things. I would like to say that it is not.

In the area, for example, of proof sets, which it has completely taken charge of the program, they have been highly profitable. They have sold out each year. They have had to stop production.

I believe if you look at the way stamps are sold by the Philatelic Bureau, they have used famous personalities, color television advertising, magazines, direct mail. If the Bureau of the Mint were to adopt such procedures—and there is no reason why they cannot—I feel the Bureau of the Mint can do just as well as any private enterprise, and that any dollar that would go to a private enterprise profit would then go to the Olympic Committee instead.

I feel that the Bureau of the Mint has been—has had to sell what has been directed to it. And a lot of the criticism of its nonsuccess is just not fair, because it did not originate the marketing programs. It had nothing to say about the designs. It had nothing to say about the quantities. I think that should be taken into consideration.

The CHAIRMAN. I don't think you understand how the Government works here.

I think Government agencies primarily work at the direction of the Congress of the United States. The whole Government structure would fall apart if we accepted your argument that because a Government agency did not originate an idea, then they can do a poor job, and it is our fault for telling them to do something they didn't want to do. When I was mayor of Salt Lake City, if my department heads had said, "Gee, the reason I'm doing a lousy job is because I didn't want to do what you told me to do"—do you see the point I'm trying to make?

I don't really think that is an excuse for them not doing a good job.

The Susan B. Anthony design certainly did not originate here.

Mr. BOWERS. The Bureau of the Mint wanted a liberty head design. They were told by Congress they had to have a design with Susan B. Anthony. That is part of the record.

The CHAIRMAN. That is correct. But we did not design it. As a matter of fact, the backside of it is different because of my amendment, which changed it, because what they called an eagle looked more like a chicken. We can get back into that, it was hardly an eagle all. But I don't want to take your time doing that.

I just totally disagree on the philosophy that unless the Mint originates something, unless they design it, unless it is their idea, that they are excused from any blame for not doing a good job.

Mr. BOWERS. My position is the Olympic coinage hopefully will occur. There are two possibilities to sell it: One is the Bureau of the Mint. One is private enterprise.

I suggest that the Bureau of the Mint can do just as well as private enterprise. Private enterprise has not demonstrated any particular better ability at selling the Canadian Olympic coinage or the Russian Olympic coinage. So, you cannot point to the great success of private enterprise and the nonsuccess of the mint.

I feel that the mint, if given an appropriate budget and a good advertising campaign, can do very well.

Further, as I have mentioned in my written testimony, which is quite a bit more lengthy than what I am saying here, I feel that the right of coinage is something that the Constitution has given the Government and that to turn the right of coinage distribution over to private people is an abuse of many things we hold dear.

I feel coinage should be distributed by the Government. I do not question Occidental Petroleum's right to say that they can distribute the coin. Possibly Sears & Roebuck could, too. Possibly Bankamerica could.

The CHAIRMAN. May I interrupt you once more. I am confused. I thought I heard you say—and maybe I'm wrong—you started out your testimony that you preferred private distribution.

Mr. BOWERS. No, I did not. I said the two things at issue are public and private distribution, and a small number of coins and a large number of coins. I am in favor of public distribution.

The CHAIRMAN. I think you misspoke yourself then.

Mr. BOWERS. I am sorry.

The CHAIRMAN. You said "private distribution." That is why I was confused with your later testimony.

Mr. BOWERS. Just to conclude, my statement does speak for itself. We are in favor of the Annunzio bill, or a modification of it.

President Adna Wilde was asked by the Olympic Committee, instead of making 2 million $10 pieces, if the AMA would approve 4 million. He said that would be fine.

We are quite strong that the Bureau of the Mint should be given a chance, just like the Philatelic Bureau does to distribute stamps, to develop a marketing program. There are qualified people there, in my opinion. They have a very good product to work with, a good event; and I feel they can do a good job.

Thank you.

[The complete statement follows:]

PREPARED STATEMENT OF Q. DAVID BOWERS

Gentlemen:

I am pleased to have the opportunity to appear before your committee in the hearing scheduled for June 10, 1982 on the proposed coinage for the 1984 Olympic Games. The attached "Biographical Notes" sheet gives my qualifications. Today I appear as the envoy of Adna Wilde, president of the American Numismatic Association, in which organization I hold the title of vice-president. The American Numismatic Association, numbering approximately 40,000 members, is the largest non-profit organization of coin collectors in the world and is the representative of an estimated 8 to 10 million collectors in America.

Two main proposals have been made concerning the Olympics coinage. The first, H.R. 6058, introduced in the House by Rep. St. Germain, proposes a large and expensive set of coins containing $1, $10, $50, and $100 to be issued in multiple series and to be distributed by a private marketing organization. The second, H.R. 6158, introduced by Rep. Annunzio, provides for coins of $1 and $10 denominations, in Uncirculated and Proof conditions, to be minted to the extent of 6 different varieties and to be distributed in the United States by the Bureau of the Mint.

It is the official position of the American Numismatic Association that the Annunzio proposal of six coins, with a complete collection valued at less than $1000 (depending upon the market values of the metals used in coinage), and probably close to $500, represents best the interest of the nearly 10 million coin collectors in America. By extrapolation, it seems as if this proposal would also be in the best interests of the public at large (for it would be illogical to assume that coin collectors, who are knowledgeable, would act differently than any other prudent citizen; it is not the intent of the Senate or the House to prey on the lack of knowledge of the public and to induce them to buy coins which would not represent good basic values).

An independent survey by the weekly publication "Coin World," with a readership in excess of 100,000, verified these sentiments and indicated that approximately 90% of those polled favored a program similar to the Annunzio proposal. In my own telephone conversations, meetings, and other contacts with hobby leaders, journalists, collectors, dealers, and others I have not found a single person - no, not even one - in favor of the 33-coin St. Germain proposal and private distribution.

In summary, the Annunzio proposal of six coins ($1 1983 and 1984, and $10 1984, each to be issued in Uncirculated and Proof grades) closely fits what the public wants. No support was found for the privately distributed 33-coin proposal.

In conversations with a leader of the Olympic Committee, ANA President Adna Wilde was asked if the ANA would support increasing the total authorization of 1984 $10 pieces from the presently proposed 2 million to a new figure of 4

million. While the ANA would prefer the original 2 million figure, in the interest of compromise - if such becomes necessary - the 4 million figure would be acceptable.

DISTRIBUTION OF THE COINS

The issue of distribution seems to be the most controversial, at least in legislative channels. Collectors and the public surveyed - the potential buyers (who have no vested profit interest) - virtually unanimously request distribution by the Bureau of the Mint. Certain vested interests, sensing the opportunity for vast millions in profits, think otherwise. The research of Rep. Annunzio involved testimony from broad sections of the audience of potential buyers (including citizens, coin collectors, numismatic publications, etc.) as well as those involved in the government (Miss Mary Brooks, former Mint director, for example), and it became very clear that there is overwhelming support for distribution by the Bureau of the Mint, and virtually no support (except from those with vested interests) for private distribution.

From 1892 to 1954 the United States government issued 48 major types (142 total varieties) of commemorative half dollars, a commemorative quarter dollar, a commemorative silver dollar, and 11 different commemorative gold coins. Certain of these were distributed by private agencies and marketing organizations. The abuses were so bad, the profiteering so extreme, the disaffection of the public so great that Congress terminated all commemoratives. Since that time there have been intermittent proposals of one type of commemorative coin or another, and each time the abuses of the past have been cited as a reason for not allowing more issues. "Those who have not learned the lessons of history are condemned to repeat its mistakes," it has been said. The pages of history are vivid with the abuses of private distribution of commemoratives. It is proposed now that "the lessons of history" be ignored?

Certain parties with vested interests have attempted to undermine the abilities of the Bureau of the Mint by citing all sorts of irrelevant data. For example, I have seen the General Services Administration's sale of 19th century silver dollars mentioned as a "bad example." This should be put in its proper light. First of all, the Bureau of the Mint had nothing whatsoever to do with the sale of these silver dollars. It did not sell them, advertise them, advise concerning them, or participate in any way. To associate the GSA sale of dollars with the current Olympic coinage is, as they say, like comparing apples and oranges. If the GSA efforts are studied closely, it will be learned in any event that in a series of successful sales the entire supply of several million silver dollars was distributed, bringing in tens of millions of dollars profit to the government, at an advertising cost of only $10 million. This effort, for example, was far, far more successful financially than was the privately distributed 1976 Canadian Olympics coinage (which program is universally recognized as an expensive flop). So, the GSA dollar sale is not relevant, but if it were, then it would be considered a success.

It has also been suggested that the Bureau of the Mint "failed" with the 1976 U.S. bicentennial coinage, for substantial amounts of the coinage remained unsold. This is specious reasoning, for under Public Law 93-127, S.1141, October 18, 1973, Section 4, Congress dictated that 45 million coins be minted. This figure was far

in excess of any reasonable demand (and, by the way, is far in excess of any Olympic coinage proposed by Rep. Annunzio). The Bureau of the Mint did not suggest this figure, so the lack of success in marketing 45 million such coins can be laid to the original legislation, not to the Bureau of the Mint. Similarly, certain other coin programs - the Eisenhower dollar, the Susan B. Anthony dollar, etc. - which certain people have characterized as "failures," were neither originated by nor planned by the Bureau of the Mint.

BUREAU OF THE MINT: The Bureau of the Mint has successfully sold Mint sets and Proof sets each year to the public. So successful has the Proof set program been that each year orders have had to be cut off in advance of year end so that production could keep up with the demand. The Bureau, which I have visited and studied in connection with my writing and research, has modern facilities, a knowledgeable and capable staff, and is the local outlet for the Olympics coinage. It has been suggested that only a private marketing organization can do effective advertising. This is not so. Consider the government-run Philatelic Bureau, which each year distributes commemorative stamps. By means of television advertising employing famous personalities, by means of magazine advertising, by means of direct mail, and by other means the Philatelic Bureau has reached a large proportion of the American public and has successfully sold stamps, sets, and albums. There is no reason why the Bureau of the Mint cannot do likewise. But, it is important to let the Bureau of the Mint participate in the planning. If their voice is not heard, then inefficiencies will result. For example, the half-ounce and one ounce gold medallions in the Fine Arts series have not sold well for (1) they are medals, not coins, and the public prefers coins, (2) in some instances the country of origin, United States of America, is not mentioned on the medal, and (3) the ordering procedure is unbelievably complicated and involves getting a daily quote on the price of gold, making a telephone call, going to a Post Office for certification, etc.

The Bureau of the Mint is composed of people who have attended coin conventions, who are familiar with the coin collecting fraternity and the general population, and who understand the psychology of successful marketing to the public.

Under the Bureau of the Mint distribution, the profits go to the Olympic Committee, not to an oil company or other private organizations.

It has been suggested that dealers will not benefit unless a private marketing organization distributes the sets. As a professional coin dealer since 1953 I can say that it is standard practice in nearly all of the world for newly-minted coins to be distributed by the country of issue. Yes, the immediate profit of a few dollars to be made by selling coins will be lost, but in a larger sense the distribution of Olympic coins will serve to increase interest in coin collecting in general and will thus benefit all dealers. There is no dealer discount given now, nor has there ever been, for U.S. Proof sets, nor was a dealer discount given in the GSA's successful distribution of 19th century silver dollars. Indeed, to have a private marketing organization distribute our national coinage seems to imply a certain weakness on the part of our government. The issuance of coinage is a right of the government, just as is the issuance of postage stamps, the collecting of taxes, negotiations with foreign governments, etc. What would be next? Having a leading accounting firm represent the US at an international economic conference, have an aircraft or munitions manufacturer wage limited

warfare in the event of a scrap or conflict, sell the Capitol Building and the White House to a real estate investment firm for "better management"? As an entrepreneur and businessman for many years I appreciate the role that private enterprise has played in American history, but at the same time the right of coinage (and coinage distribution), reserved for the government by the Constitution, is not something that should be traded, sold, or bartered.

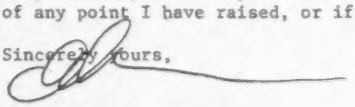
It has been further suggested that if a 33-coin set were distributed by private sources, or if a smaller set were distributed at higher prices by private marketers, the public could always refuse to buy the coins. To say this is to ignore the desires of the 8 to 10 million coin collectors in America as well as the additional tens of millions of citizens who will become interested in the Olympics issues. Each person will aspire to have a complete set or group. If such a set costs several thousand dollars, then only the wealthy can afford it. In the same vein, one could charge $5000 admission to visit the Smithsonian Institution and say to complainers "you don't have to visit there," but would this be the right thing to do? It seems to me that the United States government has an obligation to fulfill the best interests of its citizens, not just the best interests of a few select marketers.

In summation, it is in the best interests of coin collectors, the general public, the Olympic Committee, and the government to have the Bureau of the Mint distribute the proposed Olympic coinage. In this way a large number of citizens will have the opportunity to own Olympic coins for a reasonable price, while at the same time all of the profits involved will go directly to the Olympic Committee. The Bureau of the Mint, using television, print, point-of-purchase, direct mail, and other advertising methods can reach all segments of the market, do it efficiently and at low cost. To have a private marketing organization sell the coins would be ignoring the overwhelming evidence of historical abuses and would be highly embarrassing to the United States for it would seem to imply that, somehow, the greatest nation on earth was incapable of intelligently distributing its own coins!

I have tried to examine the Annunzio proposal from an unbiased viewpoint - and from the view of both a numismatist and an American citizen - and I feel that all logical evidence points toward the Annunzio bill. I hope that the Senate will remember that America is based upon laws enacted in the best interests of those governed - indeed, this was the basic premise of the Declaration of Independence 200 years ago - and, in this instance, the Annunzio bill directly reflects the best interests of those involved: the public, coin collectors, and the Olympic games. To pass legislation providing for private distribution at very high prices would in effect be telling millions of American citizens that their opinions simply don't matter!

Mr. Chairman, I appreciate the opportunity to appear in person here today. If I can help with any other aspect of the situation, if you would like further documentation of any point I have raised, or if I can help in any other way, I am at your service.

Sincerely yours,



Q. David Bowers

The CHAIRMAN. Don't you think there is a distinction between the ability of the Mint to distribute to collectors, which I do not doubt they can do well, and their ability to sell to the general public?

The list that Angela Buchanan talks about of everybody who collects coins is fine—they have the list, they can distribute from that to coin collectors. But what about the general public, those of us who are not experts and are not involved? Do you really think the Mint can handle that part of it?

Mr. BOWERS. The Mint can do what the Philatelic Bureau—they can get mailing lists, call on advertising expertising, and effectively mount a campaign.

The CHAIRMAN. Why do we have all the coins I mentioned still sitting around? Why are they still sitting around?

Mr. BOWERS. It was not proposed that the Susan Anthony dollars be sold to collectors or people supporting the Olympics. These are like $2 bills.

DESIGN PROBLEMS

The CHAIRMAN. I made the distinction very clearly. This was money. All they have to do is put it in circulation. They cannot even get people to accept it because of their poor design.

Mr. BOWERS. There have been 2-cent pieces that did not circulate, $3 gold pieces. There are hundreds of different situations in which things did not circulate for one reason or another.

The reason Treasury had millions of silver dollars in the 1960's is they did not circulate in the 1880's.

I don't think you can lay on the Bureau of the Mint's doorstep—I'm not speaking of the Treasury Department—the responsibility for the Susan B. Anthony dollar. I do not believe they would accept that responsibility.

The CHAIRMAN. Who would then?

Mr. BOWERS. Congress, who authorized it. They stipulated what the design would be.

The CHAIRMAN. No, no, no. That's where you are making a mistake. We are getting off the subject, and I will quit in just a minute. But I happened to be here, I happened to offer an amendment to that—for the back side of the coin.

The Congress did not stipulate a design, not at all. They authorized the minting of the Susan B. Anthony dollar, period, without regard to size, shape, holes in it, or anything else. That design came purely out of the mint—totally, completely, purely—as presented to this committee, with one change made on the back.

There was an attempt to say, "Will you do a marketing study before you really go ahead and mint this thing, because we don't think it will sell in this form."

Don't try and switch that one on me and away from the Mint. I wish I had the confidence in the Mint that you do. Gee, they have a great supporter. Get him on your campaign team if you ever run for office.

Mr. BOWERS. There was a preference for the liberty head design, and they were forced or persuaded to adopt the Susan B. Anthony issue.

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The CHAIRMAN. That has nothing to do with it, who was on it, whether you have an Indian, Susan B. Anthony, or whatever, the shape and design. The Mint was directed to mint a coin for Susan B. Anthony—it could have been 3 inches in diameter, it could have been square.

Mr. BOWERS. We are confusing circulating coinage—like $2 bills are not successful either—with a special commemorative issue. And this is an instance or an event that is going to have nationwide popularity.

I would also submit, as mentioned——

The CHAIRMAN. I think money has popularity with people. I just—I am too much of a cynic about Government agencies' ability to perform. Maybe I have been around too long and seen the failures year after year——

Mr. BOWERS. I feel the Bureau of the Mint—and I have been involved with numismatics for a while—the Bureau of the Mint in recent years has shown great change and awareness.

They have been more of a presence with collectors, as the Bureau of Engraving and Printing has. They are more aware of what sells and what doesn't. They have new systems in place. And I think certain of the programs, like proof sets, have been successful. I am not saying they are perfect. We know they are not.

Also, the private sellers are not either. The Canadian program was widely regarded as being unsuccessful—much less successful, I might say, than the GSA sale of silver dollars. If you want to compare, that is comparing apples and oranges, but the private sector has not demonstrated a dynamic ability to sell tremendous amounts of coins.

I am saying that both sides have flaws, both sides have imperfect past histories. But I feel today it is the will of most collectors that the Bureau of the Mint, through the Treasury Department, do the distribution.

The CHAIRMAN. I certainly hope you are right.

As I said to the previous panel, I will pray that you are right, and I will send you a nice letter of congratulations saying, "The Mint has finally come around."

Mr. Friedberg.

STATEMENT OF ARTHUR L. FRIEDBERG, VICE PRESIDENT, CAPITOL COIN CO., INC. AND COIN & CURRENCY INSTITUTE, INC., NEW YORK

Mr. FRIEDBERG. Mr. Chairman, my name is Arthur Friedberg, and I am grateful for the opportunity to appear before this committee once again to urge expeditious legislation to commemorate, and more importantly to help finance, the 1984 Los Angeles Olympic games. The start of the games is a little more than 2 years away. Even when I testified before this commitee last July, I wondered whether there was sufficient time to create and implement a financially successful program.

No one is looking for taxpayer's bailout of these Olympics. Neither the city of Los Angeles, the State of California nor the Federal Government want any part of such an arrangement.

A coin program, utilizing private enterprise in its distribution will eliminate the need for Government assistance, and could still benefit the Olympics.

In the bill under consideration Congressman Annunzio is to be congratulated on his efforts to support the Olympics, while at the same time eliminating perceived flaws in private marketing arrangements.

While many, including myself, may disagree with his assessment, I endorse his bill in response to the overwhelming support he received from both his colleagues in the House and the coin-collecting community; along with the belief that further delay may leave us no coin program at all. I urge both Houses of Congress to now attach the proper modifications to it so we will be assured of a successful program and a successful Olympics.

Mr. Chairman, in my prepared testimony I have devoted considerable attention to the Government's undistinguished record as a marketer of coins, and I will concentrate in my remarks today on the flaws of the bill and suggest remedies for the first bulk discount provision, second, international marketing, and third, a triggering mechanism if collector sales are not satisfactory.

It has long been my contention that truly successful programs must reach out beyond the collectors on the Mint's mailing list.

As it stands now, we have forsaken approximately 95 percent of the American people. If we were just talking about a program for collectors, I could support the bill without modification. No one would be more delighted than I if this bill were enacted and the Nation's coin collectors came forward to take full credit for being the largest contributor to the Olympic games.

We must be realistic, however. Both in light of current economic conditions and the Treasurer's own testimony that no one can say with any accuracy how many coins will be sold, and that we're dealing with a program with no historical precedents.

BULK DISCOUNT PROVISION

Given the uncertainty of collector support, we must be prepared to turn to private marketing. This can easily be done through use of the bulk discount provision already in the bill.

I have been given to understand so far that it is contemplated the discount would be 10 percent. This is simply not enough. It is difficult to say who is going to pay $20 for the right to compete with U.S. Mint for the remaining $2.

As you may know, Mr. Chairman, a usual retailing markup is at least 40 percent. In order for coin dealers to make a profit on a coin we normally require a profit margin of at least 20 percent.

To attain a significant number of bulk sales, I feel that at least a 20- to 25-percent discount will have to be offered. This however creates two problems: So as to grant such a discount, either the prices of the coins will have to be raised or production costs lowered. The higher the price, we can be sure the fewer the number of coins that we can expect to sell.

We must also consider the perceptions of the public when they discover that they are being asked to pay approximately $25 to $30 for $1 of face value containing only $5 worth of silver. This is one

of the reasons the Canadians issued their coins of $5, $10 and $100 denominations.

I urge this Committee to likewise consider creating a new tradition in U.S. commemorative coinage and change the face value of these coins to $10 and $50.

A suitable solution may be to raise the price of the silver coin to $27.50, granting 25 percent discount, and the gold coin to $325 with a 20-percent discount.

Even with these, however, we must be aware that the successful mass marketers along the lines of Sears Roebuck, for instance, try to sell at a 50-percent gross profit margin, and are going to look long and hard at the sales possibilities before committing large sums of money.

OVERSEAS SALES

While there is a provision for private marketers for overseas sales, I question the efficacy on two accounts: First, there is not yet any definite interest expressed, in which case not only is this potentially lucrative market being forsaken, but we will see ourselves in the embarrassing position of offering something which no one wants.

Even worse, under the provisions of the bill, coins will also be available at U.S. military and diplomatic establishments overseas. Thus the international market is being preempted before private marketers even have a chance.

A possibility for here and abroad involves a triggering mechanism that would bring private marketing back into the picture. The normal proof set ordering period ordinarily extends for about 90 days.

To eliminate all doubts, I propose that this be extended to 120 days. If after this period projected sales for the total program will not yield revenues to the Olympics of at least $31 million. Then and only then will more coins be added to the program for sale by private marketers.

The marketer will have to advance to the Olympic Committee the difference between the $31 million and the amount actually tendered by the Mint, or a minimum guarantee satisfactory to the Treasury and the Olympics.

If sufficient collectors support the initial program, the issue will be moot. But if revenues are not satisfactory, a program will have to be in place which will satisfy revenue requirements, and not the few collectors who supported the initial program.

Mr. Chairman, Olympic coin legislation has been before the Congress for over a year now. Time is running out. With the proper modifications with incentives for private enterprise here and abroad, and with necessary safeguards, an Olympic coin bill will give us a successful program and a financially solvent 1984 Olympics.

[Complete statement follows:]

PREPARED STATEMENT OF ARTHUR L. FRIEDBERG, VICE PRESIDENT OF THE COIN & CURRENCY INSTITUTE, INC., BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING & URBAN AFFAIRS ON PENDING OLYMPIC COIN LEGISLATION AT WASHINGTON, D.C., ON JUNE 10, 1982.

Chairman Garn, Senator Cranston, distinguished members of the Senate Banking Committee. I am delighted to be with you today to speak on behalf of an important goal -- the striking of commemorative coins to help fund and support the 1984 Olympic Games in Los Angeles. My name is Arthur L. Friedberg, and I am the Vice President of the Coin & Currency Institute, Inc., of New York City and Fort Lee, N.J., and an officer of Capitol Coin Co., Inc. of New York City. Previously, as you may recall, I testified before this committee as a concerned individual and as sports enthusiast and supporter of the Olympic movement. I renew my plea today before you to consider expeditious treatment of the concept of striking multiple Olympic commemorative coins with the involvement of private enterprise.

Mr. Chairman, the start of the Olympic Games is just a little more than two years away. When I testified before this Committee last July, the Games were nearly three years away and even then I wondered whether there would be sufficient time to produce the type of program that I believe is vital if the sale of coins is to help finance the 1984 Olympic Games successfully.

It has been accurately stated, and I have read, Mr. Chairman, that the City of Los Angeles is not going to finance these Games. I think that it is also true that the Olympics cannot expect, in these times, to receive federal monies, be they from appropriated funds or not. It best appears that a coin program is an extraordinarily feasible means of financing the Olympic Games, and it is my belief that by using a multiple series of coins, including distribution by private enterprise, that the Olympic movement could still ultimately benefit by as much as $100 million.

Let me first address myself to my own background so that the Committee is aware of the qualifications from which I speak. Capitol Coin Company, and The Coin & Currency Institute, Inc., were founded by my father, the late Robert Friedberg over 50 years ago. At one time we operated the coin departments in department store chains throughout the country, including Gimbels in New York and Woodward & Lothrop (Woodies) here in Washington.

Through the years we have sold millions of coins, not just to coin collectors, but also to those individuals who happened to be passing through a department store and desired to obtain a gift for another person or a medallion honoring a local or national event. Indeed, over the last 30 years, we are probably responsible for starting more people in coin collecting than any other firm in the country.

The Coin & Currency Institute has sponsored the issuance of numerous official medallions, usually in sponsorship of local events, but sometimes of events of national importance, such as the centennial of the Civil War. Primarily the sales that we made were to coin collectors, although we found that for a local event, the indigenous population participated by purchasing numismatic commemoratives. For certain events, such as Presidential inaugurations, the bulk of sales were to non-collectors.

For the Olympic Games at Montreal, and also for the Moscow Games, we handled the individual coin issues, series, and sets in our stores. Inevitably, we found that the serious collectors were not the ones purchasing theses items, but rather, the purchasers were individuals interested in sports or in supporting the Olympics through these collectibles, and who had originally heard of these coins through direct mail. As a result of the publicity generated by these hearings, we have started to see renewed interest in these coins.

Congressman Annunzio is to be congratulated for his tireless and well-intentioned efforts to support the Olympics, while at the same time, eliminating what he perceives to be severe and fundamental flaws in a private marketing arrangement. Although I personally disagree with his assessment, the overwhelming support he received in the House, and the belief that further delay may result in no coins at all, leads me to endorse the fundamental concepts in the bill now being considered. It is important now to concentrate on how to give this bill the ability to fully maximize the revenue it can generate for the Los Angeles Olympics and American athletes.

It seems to me that the Olympics demand the best of our American athletes, and we should demand for them no less than the best financing and the most involvement of the American people, through enabling them to easily purchase any coins that are issued.

The Mint has its place as a producer of coinage, but it has demonstrated time and time again that it is simply incapable of effectively marketing its issues to the population as a whole. Let me stress that if all we were talking about were a program for the nation's coin collectors and not a revenue raising device for the Olympics, I could enthusiastically support a three coin program. However, it seems clear that the acknowledged purpose of this legislation is to raise money for the Los Angeles Olympic Games. There is not enough potential revenue in a program where the Mint sells to its primary market- the nation's coin collectors. Not with any program of four coins, three coins, or fewer, at any rate.

Let us consider, as an example, some of the recent efforts made by the government in the selling of commemorative products. During the bicentennial--the two-hundredth anniversary of the founding of the United States--three separate commemorative coins were produced by the U.S. Mint. The coins were produced for circulation; as part of proof sets (containing regular metal); and as special sets produced in 40% silver clad material for sale and marketing under the terms of Public Law 93-127, which stated that "coins minted under this section may only be distributed by the Secretary as proof or uncirculated coins at such prices as he may determine."

Let us look at what happened with those bicentennial coins that only the Mint was permitted to distribute.

Under the legislation the Mint was required to produce 45 million coins of silver-clad material, which was divided into 15 million sets of 3 coins each. According to the Annual Report of the Director of the Mint for the Fiscal Year Ended June 30, 1976, "the Mint elected to produce 4 million 3-coin proof sets and 11 million 3-coin uncirculated sets." The basic manner in which the Mint marketed the coins was the use of its mailing list and a fairly extensive public relations campaign. Precisely how extensive the campaign was is recorded in a series of press releases which are formally bound into the 1976 Mint Report; on July 1, 1975, the President of the Federal Reserve Bank of Minneapolis together with Mint Director MAry Brooks held a press conference to release the bicentennial half dollar in the hometown of the designer. On August 6, an announcement was made that two weeks later, in Chicago, the President of the Federal Reserve Bank of that city along with the Mint Director would release the 25 cent coin at the centerpoint of the district where its designer was located. A special exhibit on the bicentennial coinage was prepared for the American Numismatic Association convention in Los Angeles from August 18 to 24. Furthermore, in October, a proof specimen of the bicentennial dollar was given to Mrs. Dwight D. Eisenhower in a colorful ceremony at Newport News, Virginia to mark the launching of the U.S.S. Dwight D. Eisenhower.

Despite this flurry of publicity and the ability to use the Mint's mailing list, sales were, to put it mildly, abysmal. Again, the Mint Report tells the story: Sales were so low, that in September 1975, nearly a year after the Mint began accepting orders, it was forced to introduce bulk rate discounts.

According to press release dated August 19, 1975, the Mint was "taking a break with its traditional ordering procedures" by authorizing a bulk rare program "for limited quantities of special coins, and it applies only to the 3-piece 40% silver

bicentennial uncirculated sets." The bulk rate required purchases of at least 50 uncirculated sets and lowered the cost from the $9.00 regular fee to $7.00. a 22% discount. The sum of $2.00 per set represented the savings in order processing, packaging, postage, and registry fees.

Despite this, only an additional 2.2 million sets were sold this way, and by September 30, 1976, a grand total of approximately 3 million bicentennial proof coin sets and 4 million uncirculated bicentennial sets had been sold and shipped by the Mint. It is also no secret that during the height of the silver rush, a significant number of these sets were purchased in bulk by individuals and melted for a profit.

At the same time, the Mint also accepted orders for 4.1 million regular 1976 proof sets (containing no silver coins) and 1.9 million uncirculated sets)also containing no silver coins). Proof set prices for these 1976 coins were just $7.00; by contrast, the silver bicentennial coins were $12.00. The difference in sales must be directly attributable to price.

This is hardly the only example of the government's less-than-stellar performance in the marketing of coins. There are, indeed, many examples.

Another measure, certainly, is annual orders for proof sets. I say orders, rather than sales, because some of the sets are for multiple orders. In fact, even utilizing orders is not that accurate--it is obviously an overstatement--since many individuals routinely utilize friends and relatives in order to exceed the quantity of 5 sets per order imposed by the Mint. Nonetheless, the statistics are illuminating. Accompanying these remarks is a table I have prepared indicating selected years in which Mint production and orders are shown. The results, I think, are startling. For example, taking the year 1964, when the Mint sold 3.9 million proof sets, it shows that 548,085 orders were received for an average of 7.2. sets per order. The average total order price was just $15.00. The new Kennedy half dollar probably had a great deal to do with that type of interest. A more typical year might be 1970, or even 1972, when the orders averaged 3.3. sets per person for an aggregate expenditure of $17.00 and with total sales running between 2.6 million and 3.2. million. Of the 3.6 million sets produced by the Mint in 1979, there were approximately 1.2. million orders; in 1980, about 1.15 million collectors purchased 3.5 million sets. This aggregates about three sets per order. The total dollar amount also has to be considered. In 1970, for example, there were 780,00 orders for proof sets costing $5 each. Yes,

the Mint may get a 60% response to a mailing list of 1.8 million names -- but what is the average dollar amount of the order. The accompanying chart shows this:

Year	Selling Price	Number of Orders Rec'd	Number of Sets Ordered	Avg. No.of Sets Ordered	Avg.$/ Sale
1957	$2.10	87,462	1,247,952	14.2	$30.00
1958	2.10	97,806	875,652	8.9	18.00
1963	2.10	352,688	3,075,645	8.7	18.31
1964	2.10	548,085	3,950,762	7.2	15.00
1968	5.00	491,287	3,041,506	6.2	31.00
1969	5.00	294,000	2,934,631	10.00	50.00
1970	5.00	787,000	2,632,810	3.3	17.00
1971	5.00	638,936	3,224,138	3.8	20.00
1972	5.00	960,713	3,267,667	3.4	17.00
1979	10.00	1,200,000-e	3,677,175	3.06	30.60
1980	10.00	1,150,000-e	3,547,030	3.08	30.80

SOURCE: Hearings on Bicentennial Coinage, Commemorative Medals, Commemorative Coins, Grants to Eisenhower College from Coinage Receipts before the Subcommittee on Consumer Affairs, Hs. Comm. on Banking & Currency, 93rd Cong., 1st Sess. at p. 33 (May 2-3, 1973) for orders received and numbers of sets produced (through 1972). 1979 & 1980 figures are estimates from Subcommittee Staff. Average Orders are mathematical extensions and calculations.

What this shows quite dramatically is that there appears to be a threshhold of approximately $30.00 per order at which collector interest begins to wane. It also appears from this that this is the maximum that collectors appear willing to spend to acquire several coins.

Another example: In 1970, Congress passed the One Bank Holding Company Act of 1970 which provided, among other things, for 150 million silver-clad Eisenhower dollars to be produced and sold by the Mint. The coin was first struck in 1971, as a proof and also in uncirculated. The proof was sold for $10.00 and the uncirculated for $3.00. Some 4.2. million proof Eisenhower dollars were produced, and 6.6 million uncirculated specimens as well. Orders, however, were limited to 1.4. million proofs and 1.6. million uncirculateds. The second year the figures were even worse; 1.8 million proofs were produced for 659,598 orders and 2.3 million uncirculateds for 656,862 orders.

I want to give the Mint every benefit of the doubt the the government every possible credit for its abilities, but it seems to me that at every opportunity they have simply muffed the chance.

Consider, for example, Carson City Silver Dollars, which were the subject of government sales efforts between 1972 and 1980. The government had 2.9 million of pieces in 1963 and spent over six years working out selling details. Initially, the government contemplated sales to the public with great ease. In 1972, three particular dates, the 1882-CC, 1883-CC, and 1884-CC, were priced at $30.00 each, which in rough number is close to the price we are contemplating for an Olympic silver dollar here today. When the first sale was held in April, 1973, between 257,000 and 291,500 pieces were sold of each of these three dates, and huge quantities were left over. They still remained after two additional sales in August, 1973 and June, 1974. The smallest quantity, the 1882-CC sold out 382,896 by August, 1973; however, there were 428,165 pieces left of the 1884-CC, and nearly 200,000 of the 1883-CC. Brochures had been placed in every post office in the country and in many banks, yet the General Services Administration was absolutely and unequivocally unable to market them.

It seems to me, Mr. Chairman, that no matter where you look, the government has been unable to meet the task and market coins in sufficient quantities to enable satisfactory revenue to be raised for the 1984 Olympic Games.

I think it is instructive to look at The Report of the Comptroller General on National Defense-Related Silver Needs, published in January of this year. The report notes that "poor merchandising and marketing efforts have . . .resulted in less than expected demand for the American Arts gold medallions," pieces which should be able to sell readily but were doomed by the Treasury's failure to sell them properly.

Based on my experience with both the Russian and Canadian programs, these coins were aimed primarily at non-collectors. Serious coin collectors were not the basic purchasers. We saw this illustrated time and time again in our stores by individuals whose only experience in purchasing coins had been with these issues. There evidently was a very substantial marketing effort made in the Canadian and Soviet programs. An official Parliamentary report from Canada shows that $41.9 million was expended in advertising for the Canadian Olympic coins

It is inconceivable to me that this amount of government money would be available to promote in the same fashion an Olympic coin in the United States. In the first place, my understanding is that this would require an appropriation. Second, if the Carson City silver dollar program is any example, where $10 million was authorized and $8 million was spent, it is simply a case of too little spent in all of the wrong places. Third, under the gold medallion marketing proposal, the 1978 hearing before this committee disclosed an estimated $25 million per year cost for selling these medallions. We must assume that these types of costs must be factored into the prices of any Olympic coins under consideration as well.

I make no claims at being an expert at costing out a program of this type, Mr. Chairman, but if the G.S.A. analysis is correct, a conservative model can be developed showing start-up costs and necessary expenditures.

Attached to this testimony (below) is a schematic of possible costs, which have been derived by contrasting a gold medallion program (found on pp. 46-47 of the 1978 Senate Banking Hearings) contemplating 1.5 million medallions per year, with a coin program contemplating 1 million silver coins in each of 1983 and 1984, along with 250,000 gold coins. In doing this, Mr. Chairman, let me point out that I do not believe that the Mint can sell this many. But, it is necessary to be fair for comparison purposes.

Initial Costs:

Data Processing Development	$ 500,000
Furniture and Equipment	150,000
Printing-Forms-Stationery	100,000

Annual Operating Costs:

Personnel† (16.8 employee years†)	243,356
Office Space-3,328 Sq. Ft. ($6.84/ft.)	22,763
Data Processing Service†	260,000
Advertising	800,000
Printing Brochures & Posters	850,000
Office Supplies & Equipment	100,000
Postage-Brochures	750,000
Communications & General Mail	200,000
Travel	25,000
Registry & Mail Costs:*	
Gold Coins	1,150,000
Silver Coins (each year)	4,300,000
Manufacturing Cost †	3,204,000
Packaging @ $3/coin - 1983	3,000,000
1984	3,750,000
Shipping	35,000

Note: *Postage $.55 + $.45 for return receipt
Insurance $3.30 for silver coins, $3.60 for gold

†Calculated as follows: GSA price based upon 1.5 million pieces modified to assume 2.25 million pieces in two years

The breakdown of this amounts to a very conservative cost of $10,758,059 in 1983, and $13,018,059 in 1984. This means that in order to recapture costs and assuming that all coins are sold, $10.57 will have to be charged over the cost of bullion and face value before even considering the surcharge.

As a practical matter, this means that the actual selling price would be derived as follows:

Proposed 1983 Silver Dollar	
Face Value	$ 1.00
Bullion (.7734 troy oz. at $7)	5.41
Cost of Production (above)	10.57
Surcharge	10.00
Total (minimum sales price)	26.98

Proposed 1984 $10 Gold Coin	
Face Value	10.00
Bullion (.48375 at $400)	193.50
Cost of Production (above)	10.57
Surcharge	50.00
Total (minimum sales price)	264.07

At these high prices it seems difficult to imagine that many American collectors will purchase these coins.

Even taking the Treasurer's recently disclosed production figure of $5.50 per coin, we still arrive at a price of $21.91 for the Dollar, and $259.00 for the $10 gold piece.

I have prepared a chart illustrating one of the problems with the House proposal, at least in the eyes of an eventual purchaser. In looking at the chart, there are a number of foreign coins produced by the Franklin Mint and marketed to collectors during the last decade. Listed on the appended chart are the coinages of twelve different countries plus that proposed by the House. I have shown in this chart the selling price at the time of issue, as well as the multiple that the selling price was over face value. I have also given an estimate of the price of bullion then prevailing on the free market. Also shown is the Troy weight (ounces) of each of these coins, and the bullion value of each coin based on the bullion price and its weight. The rate or percentage that was charged over the bullion value is also indicated, as are mintage figures as reported by the Franklin Mint.

What this shows is that the silver and gold coins proposed have the highest multiple over face value of any coins of the list.

For the silver dollar it shows that the cost will be 556% above the bullion price (estimated at $5.41 based on $7.00 silver). Of all the coins included in the chart. only one gold coin had such a high level--the Guyana $100 issued in 1976 (Friedberg No. 1) and only 20,864 pieces were sold. A Philippine 50 Piso coin of 1975 is the closest silver coin to this percentage--it sold for 514% over its bullion value--and had a selling price of $22.50. This coin, Yeoman No. Y-62) had a mintage and sale of 53,537.

At the bottom of the chart appear some figures which I have prepared showing comparable pricing on both the original Senate bill, and those proposed by Reps. St. Germain and Patterson.

There is also another very compelling reason, Mr. Chairman, why U.S. Mint distribution of this product, to the exclusion of private marketing is undesirable. I think, and I assume you will agree, that Mint distribution will basically reach the coin collecting community and probably not much further. Most of my customers also come from that group. To the extent that the government embarks on a distribution and sales program which taps the dollars in that market, it has a proportionally direct effect and impact on my business. I do not think that it is any secret that the coin industry, taken as a whole, is collectively hurting. Sales are down, prices are depressed, and frankly, we are looking for something special to help stimulate interest and sales. I simply do not think that it is fair for the government to compete directly with me, or any other coin dealer, on such a massive scale. We are a multi-billion dollar industry, we contribute to the domestic economy, we employ tens of thousands of people. Yet. it we were to accept some estimates, that $87 million would be raised under this proposal, the assumption has to be made that the bulk of this is going to come from the pocketbook of collectors who would otherwise be purchasing their coins from me and other coin dealers. What the government is then saying is that my business is going to slump an additional 10%. This is not necessary when, by utilizing private enterprise to help sell these coins as well, we will reach out beyond the coin market, and the impact on our business will probably be stimulative.

Surely, there are dealers who will not be interested in carrying these coins, and there are those who will probably assert that it will have a minimum effect on their business because these are not the kind of coins that their customers purchase. It seems quite apparent to me, however, that the smaller dealers, averaging $500,000 to $1 million in annual sales could be hurt in an almost devasting manner, since the Mint will, dollar for dollar simply reduce their sales. The 10% discount I have heard mentioned is simply not enough for me, or any other dealer I know, to get involved with on a significant scale.

There are several problems with the bill as it is now structured. Firstly, I question the concept of a private marketer solely for overseas sales. Notwithstanding the complications which may be caused by having the coins sold in military and diplomatic establishments abroad, we must seriously ask whether there is anyone interested in pursuing this concept. Committee staff informs me that thus far, no one has expressed interest. Furthermore, we must ask ourselves, why, if a private marketer created such strenuous objections on the domestic front, why one would be acceptable, on basically the same terms, overseas.

Another problem concerning overseas sales surfaces when we consider Rule 53 of the International Olympic Committee. This provides that 3% of the face value of all coins sold in a foreign country must go to that nation's Olympic committee as a "royalty" payment for the use of the Olympic logo or other trademarked symbols. I am uncertain, in the first instance, as to whether the U.S. Mint has the authority to make such royalty payments in the absence of an appropriation; and in the second instance, as to what the reaction of the I.O.C. will be when dealing with a coin in which the face value is far less than the issue price.

As distasteful as it is to contemplate the I.O.C. interfering with Congressional legislation, will they and the national Olympic committees accept a 3 cent royalty on a $22.00 sale when the U.S.O.C. received over $800,000 from the Canadian program, and over $1 million from the Soviet program? Under this scenario. If as many as 5 million $1 coins are sold overseas, the total royalty for distribution will be $150,000. It is not difficult to contemplate the charges of inequity that this may provoke, and it is also possible that the I.O.C will then withhold the use of the Olympic logo and other trademarks.

A second problem concerns the overwhelming dependence being placed on the coin collectors on the Mint's mailing list for the success of this program. This is a point that cannot be overemphasized.

On April 29, 1982, the Treasurer of the United States appeared before the House Subcommittee on Consumer Affairs and Coinage. Referring to the transcript of her testimony, there are several comments worthy of note:

> We are reluctant to hinge the success of the 1984 Los Angeles Olympics on a coin marketing program run by the government. This is particularly the case when a program is proposed that has no exact historical precedents and, therefore, makes projections based on historical results somewhat more speculative.
>
> We would suggest that the Secretary of the Treasury be permitted to offer several alternative programs for marketing the coins.
>
> No one knows what the market is out there.

Ms. Buchanan also states that "It is correct" that if the projected figures were not accurate the Olympic committee might be in a position where the funding would not be forthcoming.

We must seriously ask, then, what are the sales projections? The answer is that no one knows for sure. All the best-intentioned guesses can be wrong. Furthermore, who will buy the proofs, and who the uncirculateds? What will the price differences be and what of the Mint guesses wrongly after starting production. In the bill under consideration., the only mention made in any of these instances concerns consultations with a private overseas marketer. It is as if those of here have no say over the matter.

This approach, in effect, places the entire onus of support for the 1984 Olympic Games on the backs of at most, 1.8 million names on the U.S. Mint mailing list.

We arrive at this number by evidence that this is the maximum number of orders the Mint appears to have handled for its $11 proof sets. Although this list has 1.8 million names, it is no secret that a good number of the orders for multiple sets come from individuals utilizing other people's names. This probably means that the actual number of persons ordering each year is no more than 750,000. This correlates with my previous testimony before the Committee that indicated that figure as the maximum number of coin collectors in the United States.

Assuming for a moment that the laws of price elasticity are applicable in the sale of coins, if the Mint received 1.1 million orders last year for 3.5 million sets, it is fairly safe to hypothesize (based on Carson City dollar sales and prices) that as few as 500,000 $1 coins could be sold. While 1 million coins is not out of the question, it is optimistic.

The only other sales approach mentioned concerns the bulk discount provision of approximately 10%. As you may know, Mr. Chairman, when a retailer buys supplies, he usually does so at at least a 40% discount off the selling price. In order for us to make a profit on a coin, we normally require a profit margin of at least 20%. If my assumptions of pricing are correct, we would need about a $54 discount on the gold coin. This, in fact, is in excess of the surcharge in the House bill, and if this sum were added to the selling price, we are talking about a price of approximately $325.00 per coin. At this price level, it is not saleable to coin collectors in anywhere near the quantities necessary for a successful program.

With the silver dollar, the problem is almost identical. A margin of about $5-$7 would probably be necessary before dealers would consider buying quantities of it. Such being the case, we are now talking about a retail price of about $30 per coin. Again, the difficulty is readily apparent.

In the first place, both the silver and the gold coin will have substantially higher prices. The higher the price, the fewer the number of coins sold.

Regardless of the exact numbers, it is safe to say that no one is going to pay $20 for the right to compete with the United States Mint for the remaining $2, or even $5, in significant quantities. Aggressive marketing efforts are effectively precluded, and the only strategy will have to be point-of-purchase sales to a walk-in trade.

We must also consider the consequences of raising the prices further to enable the granting of a larger discount, since we are dealing with a $1 coin containing only $5 worth of silver. Nonetheless, to ensure mass-marketing, this may have to be done.

Mr. Chairman, it has long been my contention, as well as other's, that to have a truly successful program, it must reach out beyond coins collectors. From everything I have seen in the "Olympic Commemorative Coin Act" under consideration today, this is not being done. By marketing primarily to the Mint's mailing list, and by extending other retailers an insignificant discount, the 95% of the population who are not coin collectors are being forsaken.

No one would be more delighted than I, Mr. Chairman, were this bill enacted, and the nation's coins collectors proceeded to come forward and take full credit for being the largest contributor to the Olympic Games. We must be realistic, however, especially in light of 1) today's economic conditions, and 2) the Treasurer's own testimony that no one can say with certainty how many coins will be sold, and be aware that if we guess wrongly, this nation will have a black eye of Olympian proportions.

We must be prepared, if collectors do not support this bill in the numbers suggested, to look again to private marketing. If a greater discount that 10% is not possible, and if, as I suspect, there is no interest on the part of an overseas marketer, there are two possibilities. While they may be unconventional, let us remember that never before in the history of our nation's coinage have even 4 coins been issued to commemorate a single event. We have already dispensed with convention by giving active consideration to any multiple coin bill.

A first possibility would be to insert a triggering mechanism into this bill which at an agreed-upon time would bring domestic private marketing back into the picture. This could work as follows:

The Mint's normal ordering period for proof sets extends for about 90 days until it is closed and no further orders are accepted. To eliminate all doubts, I would propose that we allow a 120 day ordering period for the coins. If, after this period, the accumulated orders, when projected forward to account for 1984 sales, do not show proceeds of $30-$50 million for the LAOC, then, and only then, will more coins be added to the program for sale by a private marketer. This marketer will have to agree to advance to the LAOC the difference between the amount tendered from the Mint's sales and $31 million, the greatest amount claimed that Treasury can raise, or a minimum of $20 million.

If sufficient collectors support the initial program, the issue will be moot and there will be no need for further action or more coins. On the other hand, if revenues are not satisfactory, then a program will have to reach beyond coin collectors, and such a program will have to be structured to meet revenue requirements and not the few collectors who supported the initial program.

Although I am advised that there is at least one bidder interested in such a provision, a second alternative may be to set up a government corporation to do the kind of marketing the Mint cannot. Unfortunately, in September, 1981, the White House rejected such a proposal, and unless there is a change of heart there, the chances of success for this option are remote.

Mr. Chairman, what I am asking for is the American taxpayer not be given the ultimate responsibility of financing the Olympic Games. It is unnecessary, it is too costly in these times, and it is a totally unjustifiable burden when there is a means by which the end can be readily accomplished.

It is my belief that a multiple coin program would have met these goals. Properly structured, one still can. We can still raise enough revenues without risking a nickel of taxpayers' money.

An Olympic coin program has been before this Congress for over a year now, and time is running out if any program is to be a success. With the proper modifications, with an incentive for private enterprise both here and overseas, and with enough safeguards to protect the Treasury and the U.S. Mint. the bill under consideration will give as a successful coin program and a financially solvent 1984 Olympic Games.

I urge your prompt action and consideration of this bill and American success in the 1984 Olympics.

I would be pleased to respond to any questions that the Chair may have of me at this time.

Thank you.

PROPOSED AMENDMENT

Immediately following Section 1, insert "TITLE I."

Immediately following Section 11, insert:

SECTION 12. Notwithstanding any other provisions of law, the Secretary shall initially offer for sale each of the three coin designs provided for under Section 2 of this Act for a period of 120 days following enactment, and shall promptly pay over to the United States Olympic committee and the Los Angeles Olympic Organizing Committee the amounts to which they are entitled under Section 6 of this Title.

SECTION 13. If the Secretary pays over to the United States Olympic Committee and the Los Angeles Olympic Organizing Committee a sum less than $31-million on the surcharges of the prepaid orders sold, as provided for in Section 6 of this Title, Title II of this Act shall apply.

TITLE II.

SECTION 1. This Title shall only be applicable in the event that Section 13 of Title I of this Act applies.

SECTION 2. As used in this Title--

(1) the term "coins" shall mean the coins minted under this Title;

(2) the term "marketing organization" shall mean a firm or join venture which proposes to purchase coins from the Los Angeles Olympic Organizing Committee and resell such coins to the public;

(3) the term "marketing agreement" shall mean a contract for the marketing of coins;

SECTION 3. If this Title is applicable, then as promptly as practicable thereafter the Los Angeles Olympic Organizing Committee shall invite, in accordance with procedures specified by the Secretary of the Treasury, proposals from marketing organizations for marketing of the coins provided for in this section--

(1) in the United States of America, and,

(2) to the extent that no marketing agreement has previously been entered into pursuant to Sections 4 and 5 of Title I of this Act, outside the United States of America.

SECTION 4. Within 2' days after the implementation of this Title, the Los Angeles Olympic Organizing Committee shall consider all proposal received from marketing organizations pursuant to Section 3 and shall select, in consultation with the Secretary, the marketing organization which offers the most favorable terms for the marketing of the coins, considering factors including, but not limited to, the following:

(1) the financial resources and coin marketing experience of the marketing organization;

(2) the estimated net proceeds to the Los Angeles Olympic Organizing Committee from sale of the coins;

(3) the commitment of the marketing organizations to guarantee to the Los Angeles Olympic Organizing Committee proceeds from the sale of the coins in an amount not less than $20,000,000; and

(4) the terms and conditions for the marketing of the coins, including, but not limited to (A) proper and equitable distribution of the coins, (B) accurate and otherwise appropriate advertising materials to be used in promoting the coins; and (C) wholesale and retail price ranges of the coins.

SECTION 5(a). Notwithstanding any other provisions of law, the Secretary may continue to market the coins authorized under Title I of this Act, and to sell such coins to any marketer previously qualifying for, and being awarded, the right to sell the coins authorized thereunder outside the United States of America.

(b) Any marketing organization selected under this Title shall also have the right to purchase from the Secretary the coins authorized under Title I of this Act on terms no less favorable than those provided for under Sections 3(b) or 5 of this Act.

SECTION 6(a). Notwithstanding any other provision of law, the Secretary of the Treasury shall mint--

(1) not more than 18,000,000 copper-nickel clad alloy coins with a face value of one dollar, a total weight of 22.68 grams, and a diameter of 38.1 millimeters;

(2) not more than 15,000,000 silver coins with a face value of ten dollars, a total weight of 33.625 grams, and a diameter of 38.1 millimeters and consisting of an alloy which shall contain 925 parts per 1,000 of pure silver and 75 parts per 1,000 of copper;

(3) not more than 1,500,000 gold coins with a face value of fifty dollars, a total weight of 4.937 grams, and a diameter of 19.0 millimeters and consisting of an alloy which shall contain 900 parts per 1,000 of pure gold, and 100 parts per 1,000 of silver and copper in such proportions as shall be determined by the Secretary of the Treasury; and

(4) not more than 750,000 gold coins with a face value of one hundred dollars, a total weight of 9.874 grams, and a diameter of 23.00 millimeters and consisting of an alloy which shall contain 900 parts per 1,000 of pure gold, and 100 parts per 1,000 of silver and copper in such proportions as shall be determined by the Secretary of the Treasury.

(b) The coins minted pursuant to subsection (a) shall have an aggregate face value which is not more than $305,500,000.

(c) The coins authorized by this Act shall bear--

(1) a designation of the face value of the coin;

(2) an inscription of the year the coin was minted; and

(3) an inscription of the words "LIBERTY", "IN GOD WE TRUST", "UNITED STATES OF AMERICA", and "E PLURIBUS UNUM".

(d) The designs of coins authorized by this Act shall be determined by he Secretary of the Treasury, in consultation with the Los Angeles Olympic Organizing Committee, and shall be emblematic of the Olympics, United States participation in the Olympics, United States athletes, and other symbols consistent with the purposes of this Act. All coins minted under this Title shall have a common reverse design.

(e) All coins authorized by this Act shall be legal tender for all charges, debts and taxes.

(f) No coins shall be minted or issued pursuant to this Title after December 31, 1984.

SECTION 7. All of the proceeds received the the Los Angeles Olympic Organizing Committee from the commercial sale of the coins authorized by this Act shall be used for the purpose of staging and promoting the 1984 Los Angeles Olympic Games and assisting the United States Olympic Committee and amateur athletics.

MINTING SPECIFICATIONS

SECTION 8(1). The one dollar coins authorized by this Title shall be issued in a single design and shall be of brilliant-uncirculated quality.

(2) The ten dollar coins authorized by this Title shall be issued in three series with two designs for each series and shall be of brilliant-uncirculated and proof qualities.

(3) The fifty dollar coins authorized by this Title shall be issued in two series with a different design for each series and shall be of proof quality.

(4) The one hundred dollar coins authorized by this Title shall be issued in two series with a different design for each series and shall be of proof quality.

SECTION (1). The Secretary of the Treasury shall obtain gold and silver for the coins authorized by this Act pursuant to his authority under existing law.

(2) Section 202 of the Bank Holding Company Amendments of 1970 (31 U.S.C. 391 note) is amended by striking out the last sentence.

SALE AND DELIVERY

SECTION 10(a). All coins minted pursuant to this Act shall be delivered as requested by the Los Angeles Olympic Organizing Committee for distribution and sale to the public in accordance with the terms of the implementation agreement provided for by section 9 of this Act.

(b) The Secretary of the Treasury shall begin delivery of the one dollar coins authorized by this Act not later than January 1, 1984. The Secretary of the Treasury shall being delivery of the first series of ten dollar coins no later than December 1, 1982, and the first fifty and hundred dollar coins no later than March 15, 1983. The second series of ten dollar coins shall be delivered no later than July 1, 1983. The third series of ten dollar coins shall be delivered no later than November 15, 1983 together with the second series of fifty and hundred dollar coins.

IMPLEMENTATION AGREEMENT

SECTION 11(a). Except as provided in subsection (d), notwithstanding any other provision of law and without regard to otherwise applicable statutory or regulatory requirements, the Secretary of the Treasury shall enter into an agreement with the Los Angeles Olympic Organizing Committee which shall provide for the implementation of the purposes of this Title and which shall include, but not be limited to, agreement on--

(1) the amounts to be advanced pursuant to section 12 of this Title;

(2) the price and schedule of payments for the coins;

(3) the number of each type of coin to be minted, and schedules and other provisions for the delivery of the coins;

(4) the design of the coins;

(5) the quality and tolerance of the coins; and

(6) the proportions of proof and brilliant-uncirculated ten, fifty and one hundred dollar coins.

(b) The agreement between the Secretary of the Treasury and the Los Angeles Olympic Organizing Committee shall ensure that the mint of coins authorized by this shall result in no net cost to the United States Government.

(c) The agreement between the Secretary of the Treasury and the Los Angeles Olympic Organizing Committee shall be concluded within 45 days of the date of implementation of this Title.

(d) The Secretary of the Treasury may not enter into an implementation agreement with the Los Angeles Olympic Organizing Committee unless the Secretary finds that the Los Angeles Olympic Organizing Committee has made its selection of a marketing organization pursuant to

(e) If the Secretary of the Treasury finds that such action is necessary or appropriate and in the best interests of the United States, the Secretary may terminate the implementation agreement and cease minting and delivery of the coins authorized bythis Act, upon the occurrence of either of the following events:

(1) the Los Angeles Olympic Organizing Committee materially breaches the terms of the implementation agreement, or

(2) any person or organization which enters into a contract or agreement with the Los Angeles Olympic Organizing Committee providing for the marketing or

distribution of the coins authorized by this Act materially breaches the terms of such contract or agreement.

FUNDING

SECTION 12. The Secretary of the Treasury is authorized to receive from the Los Angeles Olympic Organizing Committee and disburse such sums as are necessary to carry out the provisions of this Act. Such funds are to be deposited in a trust fund which shall be subject to and administered in accordance with the provisions of section 20 of the Permanent Appropriations Repeal Act, as amended (31 U.S.C. 725s), to be used solely for the purpose of carry out the provisions of this Act. Any sums advanced pursuant to this section shall be deducted from the amount the Los Angeles Olympic Organizing Committee is required to pay the Secretary of the Treasury for the coins authorized by this Title.

SECTION 13. The Secretary of the Treasury shall furnish the coins authorized by this title to the Los Angeles Olympic Organizing Committee at a price agreed to pursuant to the implementation agreement provided for which price shall be equal to the greater of--

(1) the face value plus manufacturing and engraving costs; or

(2) the market price of the metal plus strip and blank fabrication charges, plus manufacturing and engraving costs, including a 15 per centum surcharge.

The cost of metals and strip and blank fabrication charges shall be excluded from the cost for the purpose of calculating the surcharge. Amounts received pursuant to this section shall be deposited into the Treasury after reimbursements have been made for the Mint's appropriation and bullion fund costs.

REPORTS AND USE OF FUNDS

SECTION 14(a). The Secretary of the Treasury shall prepare and submit to the Congress such reports quarterly concerning the sale of the coins authorized hereunder as the Secretary shall deem advisable.

(b) Funds received by the Los Angeles Olympic Organizing Committee pursuant to the provisions of this Act shall be used by the Los Angeles Olympic Organizing Committee only for the purposes of this Act.

(c) The Comptroller General of the United States shall have the right to examine all books, records, documents, and other data relating to the use of coins or funds made available pursuant to this Act of (1) the Los Angeles Olympic Organizing Committee, (2) the United States Olympic Committee,

and (3) any person or organization with which the Los Angeles Olympic Organizing Committee enters into a contract for the marketing or distribution of coins minted under this Act.

RELATION TO OTHER LAWS

SECTION 15. In carrying out the provisions of this title the Secretary of the Treasury shall not be subject to any provision of law of the United States governing procurement or public contracts.

GOLD MEDALLION ACT AMENDMENT

SECTION 16. Section 406 of the American Arts Gold Medallion Act is amended by adding at the end thereof the following:

"(d) No later than 60 days after the date of enactment of this subsection, the Secretary of the Treasury shall provide for sales of gold medallions struck under the authority of this title to be made to the general public through dealers, and if appropriate, through the Department of the Treasury. The Secretary shall make bulk sales at a reasonable discount to reflect the lower handling costs of such sales, at a price to be determined by the Secretary."

SUPPLEMENTARY STATEMENT OF ARTHUR L. FRIEDBERG, VICE PRESIDENT OF THE COIN & CURRENCY INSTITUTE, INC., BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS ON PENDING OLYMPIC COIN LEGISLATION AT WASHINGTON, D.C., ON JUNE 10, 1982.

Mr. Chairman, some attention has been directed towards allegations that were the Government to issue coins in $10, $50, and $100 denominations, that these would be considered "pseudo-coins," non-circulating legal tender, and an assault on traditional United States coinage values, and thus, not worthy of our coinage system.

These arguments, while well-intentioned, have no basis in fact, and are specious on several counts.

Firstly, the Constitution (Article I, Section 8) specifically grants Congress the right to "coin money and regulate the value thereof." Throughout our history, Congress has exercised this prerogative when necessary. While doing this, old traditions have never stood in the way of new ones.

Until 1849, there had never been a $1 or a $20 gold coin, and until 1851 there had never been a 3¢ silver piece. 1854 saw the first $3 gold piece; 1856 a small size cent; 1864 a 2¢ piece; 1865 a 3¢ piece in nickel; 1866 a 5¢ piece in nickel; and 1875 a 20¢ piece. Our first commemorative coin was not issued until 1892. Until 1909, there had never been a depiction of an actual person on a regular issue coin. Until 1964, there had never been a dime, quarter, or half dollar issued in any metal other than silver; and until 1971, there was never a dollar made of anything but silver or gold.

The nation's coinage, and its' coin collectors adapted to all these changes, and never was the integrity of our money compromised. In many instances, other nations have followed the examples set by Congress, and this is one of the reasons that 190 years after the first coinage act, our monetary system is still the most universally accepted and recognized standard in the world.

There are several precedents for a $50 gold coin. Not only were two $50 gold piece types issued in 1915 to commemorate the Panama-Pacific Exposition in San Francisco, but as early as June 16, 1854, legislation calling for $50 gold coins passed the Senate by a large majority. This legislation, introduced by Senator Gwin of California, with the support of the Treasury, was badly needed to facilitate commerce in the west. To quote Senator Gwin:

> In order to harmonize the proposed large coins with the present recognized coins, I would recommend that the coinage be authorized of pieces of $100, $50, and $25, to be called the Union, Half Union and Quarter Union.[1/]

[1/] Edgar H. Adams and William H. Woodin, United States Pattern, Trial, and Experimental Pieces. American Numismatic Series No. 1, Second Printing, Dayton, Ohio, September, 1959, pp. 150-153.

Although the bill never passed the House, pattern $50 coins were struck in 1877 and are avidly pursued by collectors today.

While it is true that most of our previous commemorative coins were half dollars, none of them were sold to the public for anything close to $25. In fact, the highest price was $12.40 for a set of three Daniel Boone half dollars in 1937. The usual issue price was $1-$2. Thus, placing a face value of $10 on the proposed silver coin is not only logical, it has historical precedent based on the probable issue price.

The United States currently has a Susan B. Anthony $1 coin containing about 3 cents worth of metal, and an Eisenhower $1 coin with about 6 cents of metal ostensibly circulating side by side. To now issue yet another $1 coin, this one containing $5 worth of metal would not only be ridiculous in logic, but would be telling the world that we do not value our coinage seriously.

Not only would setting the face value of the coin at less than its bullion content be nonsensical, but it would imply that our coin is not even redeemable for its fair value. A face value designation declares the issuer's willingness to redeem the presented item for the stated amount of goods and services. A one dollar denomination would say that the coin was not even worthy of redeeming itself. Thus a one dollar coin in this instance is more of a pseudo denomination than a ten dollar coin could ever be.

The United States has issued many $10 coins in gold. Issuing one in silver, which is also a precious metal, would be consistent with our coinage history. It would merely be a reflection of inflation in that higher denominations are now required in exchange for the same amounts of goods and services.

Even at a $10 face value, if silver goes up to $15 an ounce, a level far below its 1980 high of $50, which is a distinct possibility, the bullion content of the coin will exceed its face value. This should mitigate concerns over the Treasury having to redeem too many coins.

It may be interesting for the Chair to note that the Canadian Olympic Coin Program, which some have characterized before this Committee as a "flop," resulted in the Canadian government having to redeem about $3 million worth of coins. This, however, was out of a total issue of over $300 million.

If one is concerned about the appellation "Non-circulating legal tender" being applied to the proposed coins, one can argue that we have had these coins for years. None of the 40% silver Eisenhower Dollars or bicentennial coins were ever intended to circulate. These coins were intended solely for collectors, and none of them were ever heard to complain -- they were delighted to have new coins to buy.

The CHAIRMAN. Thank you, Mr. Friedberg.
Mr. Krause.

STATEMENT OF CHESTER L. KRAUSE, PRESIDENT, KRAUSE PUBLICATIONS, IOLA, WIS.

Mr. KRAUSE. Being the cleanup witness today, almost everything I have in my written statement has been brought forth once or twice, so with permission I would like to ask that it be included in the record—with one exception:

I would like to read an excerpt.

After all, both of my senators introduced me, and further I have a catalog that I coauthored with my executive vice president called the Standard Catalog of World Coins, the accepted reference throughout the world on world coins.

I would like to read——

The CHAIRMAN. Your full statement will be printed in the record—not your catalog.

[Laughter.]

Mr. KRAUSE. It is copyrighted.

I employ the largest staff of profesional numismatists ever assembled for the purpose of numismatic publication. These individuals represent expertise in both foreign and domestic numismatics. Two of them have accompanied me here today: Russell Rulau, editor of World Coin News, and David Harper, editor of Coins Magazine.

I will be celebrating my 30th anniversay in the publishing business in October. In that tenure, I probably have gained three or four times as much experience as most of the marketers who have been putting information into the record, and I have been sitting by watching as this was done.

Sometimes I wished I could have jumped in earlier today to help some of them out, because if I could tell you the history of marketing world commemorative coins, it might be helpful to you and it might help you understand why my testimony might seem pro-Treasury Department.

The fact is, I have had as many fights with the Treasury as you have. Most times in the past, you would not find me supporting their issues.

Let me tell you: I heard you say that the gold medallion is an unpopular thing, and I would have to agree: It really is a bastard—it should never have been authorized.

COMMEMORATIVE COINS

Had a denomination been put on that particular piece of gold, it would have sold like popcorn, but I tell you also, in the early 1960s medals that I am talking of—something that commemorates a person, place or event without a denomination on it—were popular.

And prior to that, medals were issued to commemorate something, and they were sold individually. Quite often these were official medals, having been authorized by some municipality or State or whatever the case might be.

I just cannot tell you who invented the idea, but it was discovered that if you would come out with a series of medals, the cost of

sales per piece was considerably less because, after all, if you sold the first one, you had a built-in customer for a second and so forth and so on.

In the mid-1960's there was an organization whose name was familiar, called the Franklin Mint. It began selling medals. At that time, they were not selling all of the collectibles they do today—they were, indeed, a mint— and quite frankly produced some very high quality products, both in design and execution, and they really produced some beautiful medals.

They immediately adopted the tactic of selling medals in a continuous series. They soon found they had a lot of capacity, and they began minting for some of the minor countries throughout the world their circulating coinage as well as their commemorative coinage.

They had a clause in their contract that said, "OK, we will mint these, and we will pay you x number of dollars." I do not know all of the details, but nonetheless we have a collectors' club and we reserve the right to sell these things for you.

Now it is understandable, since we have 9 cent, nickel, dime, quarter, half-dollar, and dollar—six denominations of coins—that after you have sold six demoninations of coins, where do you go?

So what happened was they took the programs they used to sell medals in a series and adapted it to selling coins in a series of various types. Really, this is from whence comes the very basis of coin group proposals that we have 25 coins, 29 coins, 33 coins.

But actually this is a dead-end street. I might tell you that in the process of producing that catalog, I would buy, I think, every world commemorative coin.

If you would like to see them, I have cabinets full back home, so I am quite familiar with the programs, or at least my staff is quite familiar with all of the programs of selling these things.

Again, that worked in the beginning. But in more recent years, selling coins of bastard or pseudo denominations has become passe, and actually a dead end road.

So two things have become dead end, when we observe the selling of these sets of coins for foreign countries. They sell, don't get me wrong, but they do not sell them to the masses.

They will probably sell them to me, I am creating an archive. I do not particularly like the coins from every country of the world; in fact, if I were not in the cataloging business I am sure I could not afford them—some of them are very expensive.

The point is that when you have a lot of designs offered year after year, They do not sell. And I understand—and they can point fingers at me and say, "Well, you know, yes, but you are not a marketer." And I can say, "Yes, but I am probably the best observer of marketers there is in the world."

PSEUDO DENOMINATIONS

We have not issued pseudo denominations of coins. The $50 and $100 denominations would be pseudo denominations. There is no room for a $50 denomination or $100. I have nicknamed these "banana republic" coins, because what has happened in the small republics and the emerging nations of Africa and the countries of

the Caribbean in particular, is that they actually sell coins for profit for their general treasury or make money for the general treasury selling these things and they grant a license to do so, and in the process the most bastardized version I ever saw was a $2,500 gold coin, if you can imagine such a thing, which was sold for $4,000.

Certainly that was a nice piece of profit. I do not know what the country got or the marketers got for it. I guess they sold 25 or 30 pieces. The point is, really, when you get into pseudo denominations and when you get into marketable designs, these are really—well, I know the marketers say we have got to have this and we have got to have that—these are really obsolete marketing concepts that, when you get back to what commemorative coins really are all about, you look to the American commemorative series and they are mostly half-dollar in denomination. They were principally minted from 1890 to 1954, and quite frankly, they were not minted thereafter because of private marketeering.

I remember the very early years I was coming down here. I was after Congress, I was after the Mint to see if we could not get another commemorative coin, and the marketing by private people was so abused—and when I say private marketing, I'm not talking marketers like we are talking about here today, but rather some commission, such as a bicentennial commission of the city of Chicago, would get these and market them. They had the same problems we are discussing today about this.

I am a private marketer. I guess my firm probably has 300,000 subscribers to a dozen periodicals, so I have to market as well. I understand what that's all about. I also understand what constitutes that a dollar or silver dollar—and I want to make a distinction. I heard you misuse it today. Susan B. Anthony dollars are not silver dollars, and neither are Eisenhower dollars, for the most part. All of us make that mistake. We just assume they are silver dollars. But the fact is——

The CHAIRMAN. It still has that name. I recognize what you're saying.

Mr. KRAUSE. The fact is that the silver dollar throughout the world today is recognized as the dollar, the almighty dollar of the American Government, that is so valuable and the one everybody is after. Really, they were truly beautiful coins. I guess they are obsolete as a circulating medium only because of their size and weight and certainly the price of silver has escalated.

But the point is, these are some of my observations. I have heard some real barbs thrown at Congressman Annunzio. I know him quite well. In fact, in 1967 I came down to this capitol and ramrodded, so to speak, a restoration of mint marks on the Nation's coinage, and Mr. Annunzio handled that particular bit of legislation over in the House. He has always been favorable to the Treasury Department. I know he was characterized as a fist-pounder to get attention, all that sort of thing, and I heard the denunciation or berating of Dr. Hammer. Dr. Hammer in his own right must be just a fantastic person, the things he has done. But quite frankly, when he comes and testifies on how to sell coins, he is kind of a Johnny-come-lately. That is to say, he was not in this business

until he got into it through a French banking firm because of his contacts in Russia.

I am sure, you know, maybe Johnny-come-lately is not really a description because he has such tremendous resources and the people he has hired do have some expertise in this, but a point I wanted to make was that a year ago I sat here in the same position as a clean-up witness and at that time I entered my statement into the record. If you would dig that out you are going to find in it a lot of what was contained in the Annunzio bill over in the House.

Now, whether he took that and modified it, I don't know. He has a mind of his own. Perhaps we were thinking more in the same channels. If you have some arrows you want to shoot at me, I am sitting here because I really believe——

The CHAIRMAN. You stayed. I guess I scared Mr. Bowers off. [Laughter.]

Mr. KRAUSE. I would like to state that Mr. Bowers has a commitment in Colorado Springs, it just so happens, this afternoon. He was here. The headquarters out there is dedicating a new addition to its building. In fact, my cohorts are out there for the dedication and he, evidently, is catching a plane. You did not scare him, I am sure.

The CHAIRMAN. I apologize for holding the hearings today. I would rather be in Colorado Springs.

Mr. KRAUSE. I would, too. Nonetheless, I endorse what Mr. Annunzio has done and I certainly support S. 1230. If you have some questions, I can answer them. To comment on some of your concerns, for instance, the Susan B. Anthony dollar, I think everybody forgot what the devil the problem was. The Susan B. Anthony dollar was proposed to replace the paper dollar. The problem was they did not take off the market that which it was to replace. In other words, we have I guess the first dollar denomination piece of paper was printed in 1861 or 1862 and we have been used to it all that time. We had to suddenly make a substitute for it, but we did not withdraw it from circulation.

The CHAIRMAN. I don't think there was ever any intention or talk in the committee that it would go out of circulation. The Mint talked about that. I certainly never expected the $1 bill to go out of existence. That was one of the things that we talked about and felt that there would be use for both, as there used to be when there was an attractive bill. The issue was not Susan B. Anthony at all or an attractive coin, but simply the design. I tried very hard——

Mr. KRAUSE. I can argue the point just as well as you can. I think it was an abortion, too.

The CHAIRMAN. It did not have much of a chance. It may not have had a chance in a decent form that was not confusing with a quarter and all of that. But rather than trying to answer all of my concerns, that is not necessary. Let me just sum up where my major problem is. I have no doubts about Treasury's ability with coin collectors and the type of people you agree with or that you deal with, with your catalogues and so on.

I think, however, the Treasury approach with the general public is not going to work. I hope the Treasurer will emphasize what she says, that the technical amendments will give her some opportunity to go to the private sector.

As far as any barbs towards Chairman Annunzio, I have not mentioned his name today until now. I have talked about House procedure, and that gets away from the substance totally. Maybe I'm too much of a critic of the way Congress works, but I like things up on top of the table, fully discussed and debated and however the chips fall, I am a big boy, fine. I win some, I lose some.

Putting aside the argument over how many coins, the design or anything like that, it was the procedures that were used over there that offend me, regardless of who used them. That big vote—it often happens on a lot of issues, when things are stampeded, people are not on the committees, they do not know any of the background, they don't know what went on over here for nearly a year, and the debate was not very much about substance, and the number of coins or anything at all. That is what bothers me. If they wanted to say, "Look, we think three coins or six coins are a lot better, we don't like the Senate idea for these reasons," and argue substance. But I do not like what went on on the floor. It goes on in the Senate on issues, too. There is a lot of demogoguery and a lot of baloney that goes on in both Houses.

I simply like people to stand up on an issue and say, "I like it," "I don't like it," "It ought to be changed like this," "OK, the debate's over, let's vote," and whoever wins, that is part of the process here. That overwhelming vote was obtained through scare tactics about horrors of abuses and people stealing money, and it was not really mentioned very much what had gone on in negotiations with Treasury.

I personally do not care. I do not know anything about coins except those that I spend. So I am no expert at all on the right number of coins. I don't know. I don't know how you sell coins. I have never seen your catalogue. I admit total ignorance. I am certainly not going to debate substance with any of you who have been here with your background. I think I know something about the legislative process, confine my criticism to that. People get a big vote like that and then they say "oh, that's a wonderful coronation of this particular legislation." The way it was presented, yes. Fine, that's what the House said. They understood the whole thing. That's what they want; we will try to work it out one way or another. However, I don't think anybody should be very proud of that debate.

I am not here to defend Dr. Armand Hammer. I don't know anything about his coin activities. The substance of that is neither here nor there. I do not think scare tactics should have been used on the floor to promote that bill. It ought to be promoted on substance by people like you, who have integrity and say this is the reason we feel it ought to be in this form for good, substantive reasons; not because you are scaring the hell out of people about how somebody's going to be stealing here or there. I think there was a real bum rap on a lot of people in the private sector to get that bill.

So I will not take any more of your time, other than to ask——

Mr. KRAUSE. I have one other comment. You mentioned the fact that the mint list was reported today as having 1.7 million names. I guess I would have collectively, maybe, 300,000 active people on my various lists, and people who come in and out would probably put that at a half million customers I have served in the last 2 or 3

years. That list goes much beyond mine. There is a lot of public sector buying from the Treasury Department and the Bureau of the Mint. It is the cream list, there is no doubt about that.

Senator CRANSTON. That figure was from Angela Buchanan's testimony.

Mr. KRAUSE. Yes, I saw that. I have no reason to doubt it. That has been put in the record on several occasions. In the area of subscription and book sales I do not believe there are 1.7 million active coin collectors. It is somewhere in the half million or 700,000 people that we do direct business with.

PURCHASE OF COINS

The CHAIRMAN. Mr. Friedberg, what about the dollar amount? Are people more willing to purchase the $10 coin for $25, rather than the $1 of $10?

Mr. FRIEDBERG. I think so, Mr. Chairman.

I have an opportunity to speak not only to coin collectors, but to people marginally interested in coins, and who might consider buying a coin.

I have been asking them, "If the government gave you a choice of buying a $1 coin for $25 or a $10 coin for $25, which would you buy?" And I think the answer speaks for itself.

The CHAIRMAN. How do you feel, Mr. Krause?

Mr. KRAUSE. This is really the mistake Canada made. They came out with a $5 silver coin and a $10 silver coin, which gets into the pseudo denominations.

If we stick to the beautiful silver dollar, the Morgan silver dollar, it has great appeal. Traditionally, that thing has been sold by the millions for years, you know.

We had 365 million silver dollars in the vaults down in the Treasury Deartment in 1963 or 1964; and the price of silver went up and people came in, and there was a continuous line.

The 3 million Carson City dollars that we spoke of today were the remainder, you know. Somebody in Treasury had the presence of mind not to sell those for $1 apiece to the public and did reserve them. I do not remember, but it seems to me that I cannot agree that it took 7 years to sell those babies, but we did return $300 or $400 million to the Treasury.

I think it should have been done in 1 year or 1½ years—don't get me wrong. I can't believe what GSA did to that thing. But the point is that eventually the money went to where it belonged.

The CHAIRMAN. Why the big difference of opinion? Here is a man who sells coins. He is not in the business of catalogs; he sells coins. He is telling me that his experience, from actual sales, is different. You're telling me it does not make any difference, they will sell regardless of the basis.

Mr. FRIEDBERG. There are a certain number of collectors that buy anything. You put some of these people on the Mint's mailing list and you can sell them the national debt, they will buy it. The mailing list is gold.

But if you talk about finding people who are not interested in coins and you say, "Here, I'm selling you $1 for $25," they're going

to look and say, "This is a ripoff." They would much rather buy a $10 coin for $25.

Mr. KRAUSE. I just refer back to my initial testimony. When I say there are two dead ends in selling commemorative coins, one was multiple coins and the other one was pseudo denominations. A $10 silver coin is a pseudo denomination. The public likes to buy coins; they don't like to buy pseudo coins.

The CHAIRMAN. If you want somebody who wants to buy part of the national debt on your lists, let me know. That would solve a real problem that is going on between the House and the Senate right now. It might bring down interest rates considerably. All you need is a trillion dollars.

Do either one of you have additional comments?

I do not intend to referee this battle over $1 versus $10.

Mr. FRIEDBERG. I hope some kind of coin program will be enacted by the Congress. I think it is important. I am sure, with compromise, something suitable can be worked out. I hope it will be.

Mr. KRAUSE. I don't have any further comment.

I would just like to thank you for taking this time with this kind of chat. I have been down here I don't know how many times to testify, and very often I would get up to about 5 minutes to 12 and they would say, "Well, you have got about 2 minutes to put your things in the record." To have taken this time with us this afternoon——

The CHAIRMAN. That is only because my 3:30 appointment left my office.

Mr. KRAUSE. I thank you very much for the opportunity.

The CHAIRMAN. If I had the time, there is nothing I love better, to get witnesses off their prepared testimony and me get off the questions prepared by the staff and chat. I always learn a great deal more this way. Unfortunately, we do not always have that luxury. But really, the best testimony often comes just in an interchange, rather than prepared text and prepared questions. I wish we could get more away from it, what we could do is never hold hearings and just send them back and forth to each other and ask unanimous consent to put them in the record. Someday maybe we will organize the Congress in a better fashion so we don't serve on 13 subcommittees and three major committees and numerous little other things and can have more time to sit and give real thought to some of the issues that deserve a great deal more time than they get.

But I thank both of you very much.

I certainly hope Mr. Bowers is on his way to Colorado and that my questions did not drive him away from the witness table.

Thank you very much.

Mr. KRAUSE. Thank you, Mr. Chairman.

Mr. FRIEDBERG. Thank you.

The CHAIRMAN. The committee is adjourned.

(Whereupon, at 4:14 p.m., the hearing was adjourned.)

[Prepared statement of Mr. Krause follows:]

REMARKS OF CHESTER L. KRAUSE PRESENTED TO THE SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE JUNE 10, 1982.

Good afternoon, Mr. Chairman and members of the committee. My name is Chester L. Krause. I am president of Krause Publications, the foremost publisher of numismatic periodicals and reference works in the United States. My firm produces two weekly newspapers, two monthlies and a bi-monthly price guide. We also publish on an annual basis the "Standard Catalog of World Coins," a 2,000-page guide to the world's coinage of the last 250 years.

Krause Publications is located in Iola, Wis., a location that somewhat belies our influence on the numismatic community. I employ the largest staff of professional numismatists ever assembled for the purpose of numismatic publishing. These individuals represent expertise in both foreign and domestic numismatics and what's more, they are authorities who are not commercially involved in the numismatic business and therefore derive no pecuniary advantage or disadvantage for rendering their opinions.

Since 1965, when I first came to Washington, D.C., to offer testimony on legislation that restored mint marks to our nation's coinage, my firm has been at the service of many congressional offices that have utilized our expertise in the area of coinage matters.

Endorses S. 1230

I appreciate being accorded the opportunity to be here today, Mr. Chairman. The numismatic hobby and its allies in Congress have worked long and hard against overwhelming odds to achieve the provisions included in S. 1230, the subject of today's hearings. This bill as it was returned by the House of Representatives provides for the striking of a three design, six-coin set of Olympic commemorative coins (two silver dollars in proof and uncirculated finishes and a $10 gold piece in both finishes) to be marketed by the Treasury domestically and by an agent internationally. I am here to endorse it and to strongly urge that this committee do the same. It will assure the financial success of the Olympic committees that will enable our finest amateur athletes to compete against the world's best in the 1984 Games in Los Angeles.

We at Krause Publications believe that S. 1230 provides for the best possible Olympic commemorative coinage program. What's more, we feel that it also represents certain judgments and policy decisions convincingly made by a 302-84 vote by the House of Representatives after open and lengthy debate that will have to be lived with.

We believe that it has been convincingly demonstrated that the United States Bureau of the Mint is the proper agency for both the minting and the distribution of any coins of the realm. This was attested to by representatives of the Treasury at early hearings and has been borne out by the experiences of the numismatic community in the last half century. It has been shown that the standard marketing procedures used by the Mint to sell coins to collectors in the United States if employed in an Olympic commemorative program would yield more revenue faster than any other method of marketing employed by any other entity.

It has been shown that a properly constructed program offering a small number of coins, as provided for by S. 1230, would fare better in the market than a large number offered with great fanfare and four-color brochures. The integrity of our coinage is effectively safeguarded by a small program and it prevents the prestige of our monetary system from being bargained away for elusive promises of profit as has been done by many nations of the world.

Claims of would-be marketers of an ability to successfully market Olympic coins put forward in this debate have not been supported by either experience or the few facts that they have been willing to supply. In fact, as more information comes to light, the picture changes. Claims of successful Canadian and Russian Olympic coinage programs were later hedged and finally abandoned as representatives of the Coin Group were pressed for information. In fact, at the May 12 hearing before the House Subcommittee on Consumer Affairs and Coinage, a representative of the Coin Group admitted after questioning that Canada did indeed make only $24 million on its Olympic program after promises of $250 million were made. As for the Russian program, Dr. Armand Hammer continued to refuse to divulge the figures that would confirm or deny our contention that it too was a flop. The few figures that haven't been hidden are that the U.S. Olympic Committee received only $400,000 as its 3% share of total sales in the United States supplemented by another $400,000 from Occidental Petroleum. These small amounts do not suggest a roaring success of the magnitude promised the Los Angeles Olympic Organizing Committee and the USOC last July at a hearing before this committee, where it was hinted that perhaps up to $100 million might be raised for each Olympic committee.

As a result, the new line at the May 12 hearing became one that the Coin Group would learn from its experiences! How many opportunities is this group going to get to play Russian roulette with national coinage? The House wisely said no to the Coin Group and I urge you to concur in its decision.

Because of the foregoing, we feel the framework for an American Olympic coinage program as provided for by S. 1230 must be maintained, and that if any changes to the bill are made, they should be limited to technical amendments and corrections that enhance the intent of the House-passed bill. Because the bill does not spell out completely pricing and marketing specifications, particularly for foreign distribution, we would like to offer a number of suggestions. We believe Congress must retain its traditional control over specifications and pricing.

Pricing

In any discussion of pricing systems for the Olympic coins authorized by S. 1230, we feel we must first state that a basic set of constants should be given for both sales within the United States and sales outside of the country. We feel that under any and all circumstances Olympic coin prices should reimburse the government for:

1. Bullion used in the coins at market prices
2. Face value of coins sold
3. All production costs
4. Any government-incurred distribution costs

To insure that the taxpayers of the United States not be asked to pick up an additional burden at a time of high Federal budget deficits, we feel the four previous criteria must be met. S. 1230 also provides that a surcharge of at least $10 for the silver one-dollar coins and $50 for the gold ten-dollar coins which would be the profit for the two Olympic committees.

In our view, this leaves two areas in which we can work to create price differentials that will allow any marketer who buys these coins from the Mint a decent profit margin on bulk and overseas sales: Lower handling costs attached to processing bulk sales versus individual sales and the surcharge itself.

In the area of bulk sales, we recognize that the cost of handling these sales to marketers is less than handling the same number of coins on an individual basis. The cost of coins sold in

bulk to private marketers ought to fully reflect this differential. Because we also realize that this area alone is not adequate to provide a reasonable profit for private marketers, we would recommend an increase in the surcharge for the proof-finish coins over and above the $10 minimum required by S. 1230 to give private marketers their profit. At this point we would like to repeat that S. 1230 requires "at least" a surcharge of the levels specified. It does not prohibit a higher one for proofs. As we suggested in our House testimony May 11, this figure should be raised to $15 for the proof dollars and $75 for the proof gold ten-dollar coins.

We base our recommendation for this increase in the surcharge on the fact that in the numismatic hobby, coins of proof quality are more highly prized than ordinary coins with an uncirculated finish. Prices within the hobby reflect this differential. When the Mint offers proof and uncirculated versions of the same coin, the proof coin is always priced higher. In the case of the Eisenhower 40% silver dollar first offered in 1971, the proof version was priced at $10 and the uncirculated version sold for $3. We do not believe such a large disparity is justified, but we do believe in the justice of a significant price differential. We believe that a proof surcharge of 1.5 times the uncirculated surcharge would be willingly accepted by collectors around the world.

With the higher surcharge, we propose that since the legislation requires that only $10 per coin be earmarked for the LAOOC and the USOC, that the extra $5 on each proof coin sold in bulk quantities be given over entirely to the private marketers in the form of a $5 reduction in our basic cost-plus-$15-surcharge price for the silver dollars. This will make sales of the proof coins a fairly profitable venture if the Coin Group or some other winning bidder delivers on its promises of large overseas sales. It also removes the weight of their failure from the shoulders of Olympic athletes, taxpayers and coin collectors. The extra $25 on the ten-dollar proof gold coin would also go entirely to the marketers in the form of a reduction in our cost-plus-$75-surcharge price.

Such a pricing policy would yield additional profits over that provided for by S. 1230 to the Olympic committees, because we feel that the additional $5 surcharge collected by the Mint in direct proof sales to individual collectors should be given over entirely to the LAOOC and the USOC. This also has the added benefit of creating the possibility of a uniform worldwide price, though we believe marketers abroad should have the latitude to raise their prices above the level prevailing in the United States. In our price and profit figures further down in this testimony, we have estimated that based on current market realities, the uncirculated silver dollar would be priced at $20 and the proof version at $25, while the uncirculated gold piece would be $225 and the proof version would be $250. These are purely domestic price levels.

We believe that the extra surcharge on the proof coin should in part subsidize the price of the uncirculated coins. We do not believe it wise to increase the surcharge on the uncirculated gold and silver coins. The cost differential of selling these in bulk should be the only criterion in offering a discount on bulk uncirculated coin sales. Further, marketers should be required to purchase at least half as many uncirculated coins for sale as they purchase in proof.

We have been told by representatives of the Coin Group and the USOC that the foreign market will provide 40% of all Olympic coin sales and the domestic market will provide 60% of all sales. In past testimony we have disputed those figures, suggesting that 90% domestic and 10% foreign are likely sales results. The sales and profit estimates for S. 1230 provided further down in this testimony are predicated almost exclusively on U.S. sales. If, the foreign market achieves a 40% share of sales, this would add 5.33 million additional proof dollars to our estimated total sales figures and 6.67 million additional uncirculated dollars. The $5 surcharge rebate would provide the overseas marketer, if there is only one, a margin of at least

$26.65 million if prices abroad are identical to those at home. It would be larger if prices were higher than in the U.S. For the USOC and the LAOOC, these added sales would create an extra $120 million in profit over and above our $253 million estimate from the $10-a-coin surcharge.

Since the marketers get to keep the entire $5 proof surcharge discount, they have the incentive to maximize sales, which is what the free enterprise system is all about. However, in order to safeguard the interests of the public, any agent who purchases bulk quantities of Olympic coins for the purpose of selling them to the public in the United States, should be required to print on his advertisement material the prices at which the coins could be purchased directly from the Mint on an individual coin basis. This would help promote uniformity of price within the United States.

Consignments

In order to prevent strain on the financial resources of possible private marketing agents and also to protect the viability of the entire program, we propose that no more than a 45-day supply of coins be struck in advance for overseas distribution. This will limit the amount of money needed by marketers to initiate the program and therefore facilitate distribution. We have no wish to see them tie up large sums of money early on when a fairly rapid turnover would do the job.

This limitation also would prevent the occurrence of a problem that arose in both the Canadian and Russian programs. Both nations struck and delivered to marketers the total mintage of any given piece issued under those two programs. However, the marketers could not sell out the entire mintage, creating an overhang on the secondary market, which depressed prices. For a while, Canadian coins were selling for less than face value. And even now, though they recovered from that appalling low, they are still selling for only about half of issue price. Their value is totally dependent upon the value of their bullion content. Russian coins also are valued only by the bullion they contain. We do not wish to see this situation develop for a United States program. Mintage of the silver dollars and the gold pieces must never be allowed to get very far ahead of actual sales. It is better to shade the market in favor of one coin too few being struck than ending up with one too many. The success of U.S. Mint issues of proof sets and uncirculated coin sets is based on the fact that only as many coins as ordered are struck. We believe it is imperative that this be as closely adhered to under an Olympic coin program as possible.

Under the foregoing suggested marketing provisions, we can complement the capacity of the Mint to deliver a successful Olympic coinage program. It will utilize the already large network of coin retailers that already exists by creating an opportunity for them to participate in sales to the public and make a profit, while at the same time safeguarding the interests of all Americans. I urge you to consider these suggestions in your deliberations on S. 1230.

I would like at this point to present a sales estimate compiled by my staff.

Estimate of Sales

Krause Publications estimates that under the terms of S. 1230, domestic sales of the new silver dollar issues would likely total eight million proofs at $25 each and 10 million uncirculated pieces at $20 each after two years of marketing. The 1983 dollar would likely represent somewhat more than half the total, while the 1984 version would take up the rest.

We base our estimates on the experience of the Mint in 1971 when it sold special 40% silver Eisenhower dollars to collectors. Proof versions went for $10 each and uncirculated went for $3. Total sales were 4.3 million proofs and 6.9 million uncirculated then. There will be some price resistence at the $20-$25 level, and we have adjusted our figures to account for this. However, the general price level has more than doubled since 1971, so the $10 Ike then, would cost something over $20 today.

With a surcharge of $15 per proof coin and $10 per uncirculated coin going to the Olympics, $220 million could be raised for the Olympics on this level of sales.

In the area of gold coins, a proof $10 gold piece would likely sell 300,000 and an uncirculated version perhaps a shade more, say 330,000. The high prices will prevent many persons from buying them. Priced in the area of $250 for a proof and $225 for an uncirculated and with profits in the area of $50 a coin, they would yield a profit of $33 million.

The total domestic profit for S. 1230 would be $253 million—all earmarked for the Olympics. I have already dealt with the possible foreign profit to be derived under the terms of the bill.

Closing Comments

I believe I have effectively demonstrated that S. 1230 is a bill worthy of your support and that my suggested changes would make it even better for all parties concerned. It will insure that the 1984 Olympic Games are staged in truly American style.

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